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THIRTEENTH ANNUAL GENERAL REPORT  
OF THE COUNCIL  
OF THE  
CORPORATION OF FOREIGN  
BONDHOLDERS.

*Incorporated on the First of August, 1873,  
By Licence of the Board of Trade.*

---

FOR THE YEAR 1885.

---

TO BE SUBMITTED TO THE  
GENERAL MEETING OF MEMBERS OF THE  
CORPORATION,  
CONVENED FOR  
THE 2ND OF MARCH, 1886, AT 12 O'CLOCK, NOON,  
*At the Councilhouse, 17, Moorgate Street,  
in the City of London.*

LONDON :  
COUNCILHOUSE, No. 17, MOORGATE STREET,  
FEBRUARY, 1886.  
PRINTED IN GREAT BRITAIN.

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FEBRUARY, 1886.

5.

STAMPED

## MEMBERS OF THE COUNCIL.

---

RIGHT HON. EDWARD PLEYDELL BOUVERIE, *Chairman.*

SIR JOHN LUBBOCK, BART., M.P., F.R.S., } *Deputy*  
RICHARD BIDDULPH MARTIN, Esq., } *Chairmen.*

GENERAL SIR GEORGE BALFOUR,  
K.C.B., M.P.

CHARLES G. BARNETT, Esq.

FRANCIS BENNOCH, Esq.

RIGHT HON. G. A. F. CAVENDISH  
BENTINCK, M.P.

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THE RIGHT HON. R. BOURKE, M.P.

HYDE CLARKE, Esq.

JOHN HENRY DANIELL, Esq.

ROGER EYKYN, Esq.

W. R. FARQUHAR, Esq.

THE RIGHT HON. LORD KINNAIRD.

W. R. MALCOLM, Esq.

HIS HONOUR JUDGE SNAGGE.

CORNELIUS SURGEY, Esq.

GEORGE CAVENDISH TAYLOR, Esq.

WILLIAM TROTTER, Esq.

SIR HENRY W. TYLER, M.P.

LT.-GENERAL J. L. VAUGHAN, C.B.

### *Consulting Secretary.*

HYDE CLARKE, Esq.

### *Secretary.*

CHARLES O'LEARY, Esq.

### *Solicitors.*

MESSRS. TRAVERS SMITH & BRAITHWAITE.

MESSRS. NORTON, ROSE, NORTON & Co.

### *Notary.*

WILLIAM GRAIN, Esq.

### *Auditors.*

MESSRS. COOPER, WINTLE & Co.

### *Bankers.*

MESSRS. ROBERTS, LUBBOCK & Co.

# The Corporation of Foreign Bondholders.

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## NOTICE OF GENERAL MEETING.

NOTICE IS HEREBY GIVEN that the FOURTEENTH ORDINARY GENERAL MEETING of the CORPORATION OF FOREIGN BONDHOLDERS will be held at the COUNCILHOUSE, No. 17, Moorgate Street, in the City of London, on TUESDAY, the 2nd day of MARCH, 1886, at Twelve o'clock, noon, for the following purposes :—

- (1.) To consider the Report of the Proceedings of the Council, and the Statement of Accounts made up to the 31st December, 1885.
- (2.) To elect four Members of the Council, in the place of Mr. R. Eykyn, the Right Hon. Lord Kinnaird, Mr. R. B. Martin, and Mr. W. R. Malcolm, who retire by rotation, but, being eligible, offer themselves for re-election.
- (3.) To elect Auditors for the ensuing year. Messrs. Cooper, Wintle, & Co., the retiring Auditors, offer themselves for re-election.
- (4.) To transact all such other business as may be transacted at Ordinary Meetings of the Corporation, and to pass Resolutions thereon.

By order of the Council,

CHARLES O'LEARY,

*Secretary.*

COUNCILHOUSE,

17, MOORGATE STREET, E.C.,

23rd February, 1886.

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# THIRTEENTH REPORT

OF THE

## CORPORATION OF FOREIGN BONDHOLDERS.

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THE Council has the honour to present its Thirteenth Annual Report to the members of the Corporation.

1. A reference to the balance-sheet will show that the excess of Income over Ordinary Expenditure of the past year has been £3,878 5s. 7d. The Council resolved, early in the year, to repay the balance of the outstanding Loan Certificates, together with the interest accumulated thereon during about thirteen years, and thereby to close the old Capital Account of the Corporation, consisting of borrowed money bearing 5 per cent. interest. This interest, amounting to £7,852 17s. 11d., has been debited to the income of the year.

2. In the Appendix to this Report will be found the usual statistical and other information concerning the different States in whose debts the members of the Corporation are principally interested.

### TURKEY.

3. The Council is glad to be able to give a fairly satisfactory account of financial affairs in Turkey, notwithstanding the political crisis through which the East of

Europe has been passing since the month of September last.

4. *Revenue Receipts.*—The comparative statement in the separate Report of the monthly receipts encashed by the Council of Administration at Constantinople during the years 1884-85 and 1885-86, commencing in each year with the month of March, which is the starting-point of the Turkish financial year, shows a total decrease for the year 1885-86, up to the end of the month of December, of £T:2,889.

5. In regard to these figures, it must first be noted that they will not correspond with those which will be published later on in the Report of the Council of Administration at Constantinople. The latter wait to issue their Report until they have been able to make up the definitive accounts of their financial year, ending on March 13th. The figures referred to above show the amounts actually collected at the Central Office in Constantinople during the two years respectively—the same system being followed for both, for purposes of comparison. Although the figures are, therefore, not exactly accurate, they afford a fairly approximate test by which to measure the comparative results obtained.

6. The remarkable fluctuations of Revenue shown in the first three months are only apparent, and are due to the change in the system of collecting the Tobacco Revenue and tithes. During the ensuing four months, the revenues showed a marked improvement until October, when a sharp fall took place, which occurred again in the month of November. At first sight this seemed alarming, and was in any case unwelcome. But if the figures be examined more closely, it will be found that, so far as the receipts are accruing from the six Indirect Contributions, the Bondholders have good reason to congratulate themselves.

7. In the month of October, 1885, the province of



Eastern Roumelia stopped payment of that portion of the Yearly Tribute which it had so far consented to pay. This was a loss to the whole Revenue of, in round figures, £T.15,400 per month. In order, therefore, to institute a comparison between the results of the two years—leaving the Eastern Roumelian Tribute aside—the sum of £T.15,400 must be deducted from the receipts of each of the three months, October, November, and December, 1884. It will then be found that there was a decrease on the whole of the other revenues in the month of October of about £T.18,000; in November of about £T.2,000; whilst in December there was an increase of about £T.9,000.

8. Reports received from Constantinople had led this Council to expect that a serious diminution of these revenues would ensue on the calling out of the Redifs—these being drawn from precisely the class principally consuming the produce (salt) which is one of the chief sources of revenue. The Council at Constantinople has indeed received reports from all parts of the Turkish Empire, complaining of the bad effect produced on the sales of salt by the mobilisation of the army. When, therefore, it is found that for the months during which the Redifs have been serving with the colours, viz., part of September, October, November and December, the whole decrease has amounted only to about £T.8,700, and that during the last month a marked increase was actually shown, there is at least some proof of the vitality of the Indirect Contributions and of the careful manner in which they are administered.

9. The figures shown as “expenses” are somewhat misleading, as in them were included, in the year 1884-85, the reimbursement to the Régie of the *Murouriyé* duties amounting to £T.57,000. The sums expended under the same head in 1885-86 amounted only to £T.4,000. As a

matter of fact, there is a slight increase of expenditure, properly so called, during the latter year.

10. *The Tobacco Régie*.—The Council regrets to observe that the state of the Tobacco Régie has not turned out satisfactory. Although the receipts for the year 1885 show an increase on those obtained in 1884, it is not possible to hope that the end of the second year's operations will be reached without a deficit. The first and third of the causes mentioned by Mr. Vincent Caillard, on page 11 of his Report for the year 1884-85 still exist as strongly as ever; and to these must be added (amongst others) the severe loss sustained by the Régie through the retirement of its able Director-General, Mr. R. Hamilton Lang.

11. As to the loss resulting from the modification of the system under which Foreign tobacco is admitted into Egypt, there is no doubt that it has during the past year increased. The Régie Company continues to insist on the adherence of the Turkish Government to the proposed arrangement by which the Revenues assigned to the service of the Public Debt are temporarily to assume two-thirds of this loss; and, according to the last reports received here, it appears probable that the Régie Company will obtain its demand.

12. It is to be regretted that so much importance has been attached by the administrators of the Régie to this point, which is clearly not vital, as has been alleged, to the existence of the undertaking. And it is still more to be regretted that they have concentrated all their efforts on obtaining the consent of the Government to this arrangement, instead of devoting themselves to the far more essential business of adjusting their administrative system to the requirements and conditions of a country so peculiarly constituted as Turkey, and of developing their commercial transactions and export trade, the latter

of which has been left, so far, almost entirely out of sight. Up to the present moment, however, the Bondholders have no reason for complaint in regard to their own special interests, the annuity of £T.750,000 having been regularly paid.

13. *Contributive Parts of the Balkan States.*—The present political situation in the East appears peculiarly propitious for a favourable settlement both in regard to the Bulgarian Tribute and to the share of the Ottoman Public Debt which, under the treaty of Berlin, Bulgaria is obliged to support. The union of Eastern Roumelia with the Principality of Bulgaria has now, from the force of circumstances, become inevitable. But it is evident that Turkey cannot be expected to relinquish the greater part of her rights over the former Province without some adequate compensation being granted her. It is natural to suppose that an important part of this compensation must take a financial form, and in the front of financial considerations is the fact that Bulgaria has hitherto failed to fulfil any of her financial engagements towards Turkey.

14. Every advantage has been taken of the present situation to press on behalf of the Bondholders, these considerations upon the attention of the Turkish Government, and of the Governments of the Great Powers of Europe. Negotiations are now going on between Bulgaria and Turkey as to the conditions upon which the union of the former with Eastern Roumelia may be permitted, and this Council has good hopes of a satisfactory financial arrangement being the result. The matter lies really in the hands of the Turkish Government, and the latter would be indeed blind to its own interests were it to let slip this most favourable opportunity of bringing to a successful issue a matter of vital importance to Turkish credit.

15. As to the shares of the Ottoman Public Debt to be borne by the other Balkan States and Greece, this Council is unable to express any sanguine view of their amounts. Servia, besides having undergone a burden of heavy extraordinary expenditure for military purposes, is smarting under the severe blow of a defeat, and has no special reasons, such as those influencing Bulgaria, for being willing to come to a financial settlement with Turkey. The more probable and unwelcome supposition seems to be that she will be disposed to evade her financial engagements. Nor is it likely that Greece or Montenegro will be easily induced to commence the payments due to Turkey. Nevertheless, this Council and the Representative of the English Bondholders at Constantinople have not failed to do all that lies in their power to obtain proper satisfaction for claims which have been hitherto so unjustifiably disregarded.

16. *Sinking Fund*.—The suspension of the payment of the Eastern Roumelian Tribute at one time caused grave apprehension. The payment of the Coupon of the 13th March is not, however, endangered, and will be regularly effected. The loss falls entirely on the Sinking Fund, which, for this year, will not show very satisfactory results. Up to September 13th, 1885, £T.109,419 had been voted for amortisation (including interest on Bonds amortised), with an approximate result of £262,000 sterling, nominal value, purchased and cancelled. During the second six months of the Turkish financial year, the Revenues will have suffered a loss of £T.77,000 on account of the suspension of the Eastern Roumelian Tribute. To this must be added the sum of £T.50,000, paid by the Council of Administration to the Turkish Government in execution of their part of the compromise, mentioned lower down, making a total decrease supposing the other revenues

to remain the same, of £T.127,000. Under these conditions, it is to be feared that only an insignificant sum, if any at all, can be applied to effect further purchases for the Sinking Fund during the current year.

17. *Unpaid Drawn Bonds.*—The arrangement alluded to in the Report of this Council for the year 1884-85, in regard to the unpaid Drawn Bonds of the 1863, 1865 and 1873 Loans, has not yet been carried out. It is not necessary to enter into a detailed history of this affair. Still it will be interesting to know that the above arrangement had, almost a year ago, received the full assent of the Council of Administration at Constantinople and of the Porte, and had been forwarded in the usual manner to receive the approval of the Sultan, in order that the necessary Iradé might be issued. At this moment, owing to certain transactions which need not here be described, such serious obstacles were thrown in the way, that the approval of the Sultan has never been obtained. It has been necessary, indeed, that the matter should be taken up again almost *ab initio*, and some time must unavoidably elapse before a practical result can be accomplished. It is, however, again in a moderately advanced stage, and this Council indulges the hope that, within a reasonable time, it will be able to announce that the arrangement has been duly sanctioned and authorised.

18. *Financial State of Turkey.*—It will not be out of place here to make a few remarks, based on reliable information received from Constantinople, on a subject of profound interest to Turkish Bondholders, namely, the financial position of the Turkish Government itself. The wildest rumours have from time to time, since the outbreak in Eastern Roumelia, been set afloat. At one time it was said that the Turkish Government was about to suspend the Debt. At another, that it had forced the

Council of Administration to advance large sums of money. At another, that the financial needs of the Government were desperate, and that there was a revolt amongst the soldiers for arrears of pay. More lately still the Government was said to be about to make a fresh issue of *Caïmé*, or paper-money, and that the effect would be disastrous. It will, therefore, be satisfactory to know that there is no truth in any of these rumours. There has not been, for a moment, any idea on the part of the Turkish Government of touching the revenues ceded to the Bondholders, nor has any demand been made to the Council of Administration for the advance of a single piastre. The latter rumour was probably based on the fact that, a short time after the Eastern Roumelian revolt broke out, a long-standing difference between the Council of Administration and the Imperial Government, in regard to certain passport duties, was settled by a compromise which had been suggested some time *previous* to the breaking out of the insurrection. The purport of this compromise was that the Council should hand over to the Government the disputed amounts (about £T.50,000), which had been collected, on condition of being permitted to levy a fresh three-piastre stamp-duty on passports. As to the financial needs of the Government, they have not been so pressing as has been represented, and at no moment have approached a condition which could be termed "desperate." By means of the extension of certain railway-concessions the Porte has obtained, since September last, sums amounting to £T.1,500,000, and is still provided with cash sufficient to meet the extraordinary military expenditure it is now enduring, for two or three months to come, without having recourse to extraordinary taxation, or to obtaining advances of ready money by the hypothecation of any of the ordinary revenues of the Empire. It is to be

hoped that by that time the crisis will have passed away, and all necessity for extraordinary expenditure with it. But even should the contrary be the case, the means at the disposal of the Government for obtaining cash by the granting of new concessions in railways or other public works of utility, are so large that, should that be the course adopted, there would, from this point of view, be rather cause for satisfaction than for alarm. As to a fresh issue of paper-money, nothing of the sort has been under the consideration of the Porte, and this rumour, as indeed in all likelihood did the others, probably took its origin in operations of speculators for the fall.

#### EGYPT.

19. With reference to the affairs of Egypt during the past year, the Council has to record the settlement of the financial question by common consent between the Powers, in pursuance of which an International Preference Loan for £9,424,000, guaranteed by the Great Powers, was issued, to provide for payment of the Alexandria Indemnities, the Floating Debt, certain Irrigation works, etc. The consent of the Powers was also obtained at the same time to the collection of the house, license and stamp taxes from foreigners in the same manner as from natives—a reform urgently required. Although the terms and conditions of this new settlement imposed sacrifices on the old Bondholders, the Council willingly acknowledges that these were, in many respects, of a much less onerous character than those originally contemplated by the Conference of the preceding year.

20. The Council cannot but express its regret that the present settlement embraced only the pressing difficulties of the moment, leaving the future to the chapter of accidents.

The unsettled political position of the country, the unforeseen extraordinary expenses in connection with the Soudan, the expenses of the British occupation, the decrease in the prices of agricultural produce, are likely to overburden the resources of Egypt, with the inevitable result of establishing a new floating debt with its usual consequences; and all this for the want of a sufficient margin for administrative purposes, which could be provided to the entire satisfaction of the creditors.

21. Mr. Edgar Vincent, the able financial adviser to the Government, in his Report to the Council of Ministers of the 25th March 1885, enumerates a series of excellent proposals all tending to liberate commerce and industry from hampering legislation, and providing facilities for the transport and sale of produce. The attainment of his further desire—a rapid development of Public Works of acknowledged utility—is, however, too intimately bound up with the question of a re-arrangement of certain Debt and other fixed charges, on terms alike satisfactory to the holders and to the Government, to be easily accomplished.

The solution is ready to hand, but is not grasped by the principal parties interested, the taxpayers of England, who have seen a vast amount of British revenue expended, for Egyptian purposes, without improving the condition of Egypt or satisfying the responsibilities undertaken by England for Imperial reasons. This state of affairs is, however, likely to continue, until it be brought home to the minds of all concerned that the political and financial conditions of Egypt are inseparably connected, and were the cause of English intervention, and that a stable Government cannot be set up there, nor the large outlay of English money put an end to, nor England's responsibilities discharged, until the financial question is settled in a final manner.



## COSTA RICA.

22. With Mr. Minor C. Keith, the Agent of Costa Rica, an arrangement has been concluded—after a long and difficult negotiation—the text of which is given in the Appendix, together with a narrative of the events attending the transaction. This arrangement involves, among other conditions, the absolute guarantee of the interest on the Debt for two years by responsible parties in England, pending the resumption of payments by the Government in 1888.

The Council is sensible of the fact that the settlement thus effected is not such, if its terms are compared with those originally secured to the holders of Bonds, as to give unqualified satisfaction. But it is satisfied that, in the existing economic and fiscal circumstances of Costa Rica, no better terms could have been procured, or, if procured, fulfilled.

## PARAGUAY.

23. The foregoing observations apply with even greater force to the Agreement arrived at, in December last, with reference to the Debt of Paraguay. Short as it may fall of the expectations originally held out to the Bondholders, the Council, after a careful investigation of the case, ventures to affirm that arrangement to be the only one compatible with the real fiscal situation of that impoverished Republic. The Loans dealt with in this Agreement, like those of other Spanish American States, were placed in the London Market at a period of reckless speculation, when the wildest schemes were eagerly accepted by the public, without inquiry as to the genuineness, or even existence, of the securities upon which they were supposed to rest. No more striking example of this blind credulity can be adduced than the Paraguay Loans of

1870 and 1872, which involved an annual Debt charge of £300,000, when the entire Revenue of the State only amounted to £40,000. Even now, after fourteen years of continued peace and gradual restoration to comparative prosperity, the Revenue of the Republic, from all sources, does not exceed £160,000—a fact which rendered unavoidable the great concessions made to Paraguay by the present arrangement.

#### MEXICO.

24. The Council regrets to state that the position of the Mexican Bondholders still remains in a state of uncertainty.

After the refusal of the Mexican Congress to ratify the arrangement concluded between the Committee and Mr. E. Noetzelin, a Commission was appointed by the President to inquire into the question of the Debt. The result of its labours was embodied in a Presidential Decree, dated 22nd June, 1885, laying down certain rules and regulations for the consolidation and conversion of all classes of Mexican indebtedness, Internal as well as External. In spite, however, of its comprehensiveness, notable omissions were observable in the Decree, which contained no definite provision in regard to the recognition and mode of payment of the Loan of 1864, or of the interest accrued on the 1851 Bonds since the default. This omission would, in any case, have interposed a serious obstacle in the way of a satisfactory arrangement with the British Bondholders, in addition to which no approach whatever was made by the Government to the Council or Committee with a view to such an arrangement.

In this state of affairs the Council undertook, with the concurrence of the Committee, and in pursuance of a resolution adopted by a General Meeting of Bondholders

in September last, to send an Agent to Mexico for the purpose of enlightening the Government as to the conditions upon which a settlement might be effected, and, if possible, of negotiating a definite arrangement.

An Agent was accordingly appointed, and was on the eve of starting on his mission, when the Mexican Chargé d'Affaires in London received and communicated to the Council a telegram, intimating that it would be "inconvenient" for his Government to receive and treat with an Agent in Mexico. The mission was consequently abandoned.

Since then it has been publicly announced that a financial Commission has been appointed to carry out the Conversion in London. Whether the Commission is clothed with sufficient powers to amend and supplement the Decree, in a manner to meet the just requirements of the Bondholders, is not known; but it is natural to suppose that it is, as the Government must be aware that the revival of its credit abroad can be attained only on the condition that the Debt is settled on an equitable basis,

#### DEFAULTING STATES.

25. The last table of defaulting States having been published with the Report for the year 1880, since which date many changes have taken place, the Council has added to its present Report a statement, with explanatory remarks, giving the details of the principal Loans in default, which it trusts will be found useful for reference.

#### COUNCIL.

26. In accordance with the provisions of the Articles of Association Mr. R. Eykyn, the Right Hon. Lord Kinnaid, Mr. R. B. Martin, and Mr. W. R. Malcolm retire from the

Council by rotation, and being eligible, offer themselves for re-election.

27. Two vacancies on the Council have occurred during the past year, through the retirement of the Right Hon. Robert Bourke, and the lamented death of Mr. T. M. Weguelin, an old and valued member of the Council, and have been filled by the re-election of the Right Hon. Robert Bourke, M.P., and the election of Mr. Charles George Barnett.

28. Messrs. Cooper, Wintle & Co., the retiring Auditors, also offer themselves for re-election.

*23rd February, 1886.*

E. P. BOUVERIE,

*Chairman.*

CHARLES O'LEARY,

*Secretary.*

## APPENDIX TO REPORT.

### COMMITTEE ON THE CORPORATION FUNCTIONS AND POWERS.

W. H. Bishop, Esq., <i>Chairman</i> .	G. Herring, Esq.
F. Bennoch, Esq.	F. S. Isaac, Esq.
L. N. Bonar, Esq.	Sir J. McKenna, M.P.
Right Hon. E. P. Bouverie.	R. B. Martin, Esq.
L. Cohen, Esq.	A. W. Ray, Esq.
Robert Giffen, Esq.	Walter Wren, Esq.

The following Resolution was agreed to by the Committee on the 10th November, 1885 :—

“ That the Committee having considered the Memorandum prepared by the Chairman, for which they wish to express their thanks to him, resolve that the Council be requested favourably to entertain the suggestions contained in the said Memorandum with respect to the organization of some of the existing Committees.”

The memorandum of Mr. Bishop above mentioned is as follows :—

#### MEMORANDUM BY MR. BISHOP.

After several interviews with Mr. Bouverie, during which the question of the organisation of the Corporation in the interests of the holders of foreign loans dealt in upon the London market was discussed, I asked him to obtain for me an interview with the Council, before whom I proposed to explain my views.

Mr. Bouverie conveyed to me the desire of the Council that I would place upon paper the suggestions I desired to make, and I now submit them to the Committee of “Functions and Powers” for approval, before presenting them for the consideration of the Council.

Originally when I proposed to go into the financial question, it proved to be the opinion of a majority of the Committee that the consideration of that subject was premature ; a system of organisation was preferred, and subsequent reflection has led me to think that the question of want of accord between the conditions upon which the Certificate-holders subscribed and those entered upon with the Board of Trade and that of a large Support Fund, may, and possibly will, be discussed with diminished friction between the parties whose views differ in relation to those questions, if it should be beforehand admitted, that a broader system of organisation, enjoying the approval and the material support of the mass of Foreign Bondholders is adequate to the expenditure involved in the action of the Corporation.

I take it that as at present constituted the Corporation has derived its means of support from the commissions paid upon loan arrangements by defaulting States.

The Committees originally instituted under the Corporation have in some cases ceased to take any active part in the interests of the Bondholders.

In other cases the Committees still work with or under the Council of the Corporation. But in no case have Bondholders subscribed any adequate amount, either for their own protection during their action, or towards the support of the Corporation whose offices and staff have been at their disposal.

The original scheme of the Corporation was cast upon the scale of most useful societies. Services rendered to Bondholders were to be paid for, individuals receiving special aid were to contribute to the support of the Institution, and those to whom the originally devised Support Fund was due, were to receive full information of the most recent facts relative to the political, financial and commercial condition of the countries whose loans were dealt in upon the London market.

But in the changes that have taken place in the direction given to the Management after the death of Mr. Gerstenberg, and those attributable to the stoppage of the payments in 1874 and 1877 of so many Foreign States, the due regard to the diffusion of statistical information among members of the Corporation has been lost sight of, and the need of support to the Corporation from the mass of Bondholders who profit by its agency has been forgotten. The formation of a large Support Fund has taken the place of the truer and healthier sources in the steady regular contributions of those

whose sympathies should be carried by the conviction of the great utility of the Corporation to those who invest in Foreign Bonds.

All Mr. Gerstenberg's calculations were formed upon a Support Fund arising from the contributions of Foreign Bondholders to be made at certain periods of time.

It is then with the double object of increased efficiency in the Institution itself and active interest in and material support to its existence that I suggest certain developments in its system.

The general scheme should in my opinion be composed :—

1st. Of Certificate-holders from whom the Council would be elected and renewed.

2nd. Committees of Bondholders.

So far the system is that already existing. But Committees should in my opinion be formed to safeguard the position of the English holders of each Foreign Loan. I would have Committees of Bondholders of the Loans of countries who have never made default, as well as those who have defaulted, and those still in default. The Committees to meet at intervals and to supervise and take note of the information prepared systematically for them by the staff of the Corporation. Each year every Committee would prepare its own report, comprising the financial, commercial and political details of the country in which its Bondholders are interested, and after the manner of the board of a joint-stock company, would meet its constituents in public meeting, present their report, which, at a sufficient fee to be remunerative, would be sold to every Bondholder desiring the last and best information.

They would also, at intervals to be arranged with the Council of the Corporation, ask for a vote in aid, which with the assistance of the Agents of the Loan, and possibly that of the Foreign Government interested, might and possibly would be readily granted.

This contemplates no suspicious, nor any preventative care; simply that relations would be opened by each Committee, with the aid of the Council, with the statistical departments of the country in which its interest would be. Application would be made for every return connected with trade, finance, revenue, taxation, exports, imports, population; and the details would be at the disposal of Bondholders separately, and of the Certificate-holders of the Corporation when issued each year.

Instead of disadvantages, foreign Governments would be likely to

reap positive advantage from attaining directly to the ear of their Bondholders. The public interested would be tutored to the most recent facts, and the Corporation would gain in public estimation, as it would in intrinsic influence from its constant relations with the best sources of information in foreign States, and its absolute impartiality in the diffusion of its knowledge of facts of sterling character and value.

It may be objected that organisation on the suggested scale would entail very large expense in staff, committee rooms, &c., &c. My reply is, that development will be most durable if it be of gradual growth. We have already Committees whose activity has ceased, because the questions upon which they had been engaged have been solved.

The Spanish Committee is one in which the advantages of continuous existence has been manifest, inasmuch as that Committee has dealt with two separate defaults and subsequent resumptions of payment.

How much better the Bondholders would have fared in the second and recent arrangement if the Committee had been thoroughly posted during the intermediate period in all essential and important facts, in place of being in a state of suspended animation, I am not prepared to say ; but I am convinced that hybernation is not a good condition for a Spanish Bondholders' Committee, and that active existence is in every way to be preferred.

The Mexican Committee is another in which an improved acquaintance with statistics bearing upon the interest of the Bondholders would be likely to operate to their advantage.

The limit which I set to my present proposal is to organise, on a permanent active footing, two or three of the existing Committees as an experiment.

They should apply for matter interesting and important to their Bondholders, through the Council, to the proper quarters, select and digest and arrange by the hands of the existing staff of the Corporation the information they obtain.

At quarterly or half-yearly meetings they will decide upon the detailed report, which they should, after the close of the year, present to their Bondholders in public meeting.

The report should be on sale at a small but remunerative price, and should be issued free to members of the Corporation.

Before long, other Committees will apply for similar organisation. Their exertions will be beneficial, because they will collect and dis-



tribute information of an authentic character, by which investors in Foreign Bonds will form their own views of value. The statistical results prepared by the whole of the Committees will, in a complete form, be on sale to those who may desire them outside the Corporation, and a want much felt will be supplied of an authentic report of the ways and means, progress and development, of every State in every part of the globe.

Meanwhile the Council itself may take into consideration the labour of the Committees, the improved organisation of its support, and, by degrees, the Support Fund, which should, in rotation by the holders of each Foreign Loan, be agreed and provided. When this is done, the efficiency of the Corporation will have been admitted beyond all question, and the Corporation itself will rest upon a basis infinitely more durable than the Support Fund, in a certain sense unfairly wrested from those who were its founders, and its integrity will be so far beyond cavil that its influence will predominate in whatever direction it may extend.

After consideration of the above Memorandum, the Council, on the 15th December, 1885, passed the following Resolution:—

“That a Report be prepared in accordance with the  
 “ recommendation of the Committee as to one  
 “ Debt, and be submitted to the Council.”

# ARGENTINE NINE PER CENT. TREASURY BONDS.

Original amount issued	...	...	...	\$5,996,450
Amount drawn to December 31 1885	...			998,800
Balance	...	...	...	<u>\$4,997,650</u>

## Committee of Argentine Nine per Cent. Treasury Bondholders.

The Right Hon. E. Pleydell  
 Bouverie, *Chairman*.  
 D. Baily, Esq.  
 E. H. Bayley, Esq.  
 J. C. Bayley, Esq.  
 F. Bennoch, Esq.  
 D. B. Crawshay, Esq.

Roger Eykyn, Esq.  
 F. G. Horne, Esq.  
 General C. H. Morris, C.B.  
 F. H. Williams, Esq.  
*Secretary*.  
 Charles O'Leary, Esq.

The Government of this Republic still continue to pay off these Bonds at par, by quarterly drawings of one per cent. instead of by purchase as was originally decreed, and a sum of \$198,250 has been thus paid off during the past year, making the total withdrawn for the five years 1881-5 \$998,800.

The financial crisis in this Republic, alluded to in the last Report of the Council, still continuing, the Government decreed a forced currency. An amount of paper was in consequence issued which was equivalent to \$58,000,000 or £11½ millions sterling, and gold rose to, and has remained at, a very high premium.

In consequence of the crisis, public works which had been commenced in Buenos Ayres were temporarily suspended. The Governor of that province stated that in view of the existing state of affairs it would be impolitic to burden the Province with fresh liabilities.

The Debt of the Argentine Republic has grown with remarkable rapidity, as the following figures prove:—

In 1861, the amount of indebtedness was \$17,110,000, while in 1885, according to a statement obtained from the Report of the Minister of Finance, the Debt stood thus:—

Internal Debt ... ..	\$47,630,000
External Debt ... ..	74,970,000
<b>Total ... ..</b>	<b>\$122,600,000</b>

The Floating Debt, which includes Treasury Bills, Debts due to various banks, etc., etc., etc., is estimated at ... ..	\$29,720,000
<b>or a Total of ... ..</b>	<b>\$152,320,000</b>

The National Government have also assumed the responsibility of certain Debts, which they have taken over from the Provincial Government of Buenos Ayres, amounting to ... ..	43,062,000
---	------------

**Grand Total of National Indebtedness \$195,382,000**

This sum does not apparently include the following Loans issued in January of [this year:—

Argentine Government 5 per Cent. Loan ...	£4,000,000
nor the Debenture Stock of the Buenos Ayres and Pacific Railway, of which the New Issue is ... ..	£512,340

and on which the National Government guarantee the interest of 7 per cent. for 20 years.

The Consolidated Public Debt in January, 1881, amounted to \$59,000,000, whilst in 1884 it stood at \$122,000,000, being an increase of \$63,000,000. The real increase during

that period was \$80,000,000, but this was reduced to \$63,000,000 by amortization, which amounted to \$17,000,000. Of this increase of \$63,000,000, \$43,000,000 was for the consolidation of Debts which existed previously.

But it must be admitted that the growth of the Debt has been accompanied by an almost equally remarkable increase of Revenue, as shown by the following figures :—

Income in 1881	...	...	...	...	\$21,300,000
„ 1882	...	...	...	...	26,800,000
„ 1883	...	...	...	...	30,000,000
„ 1884	...	...	...	...	37,700,000

The Revenue for 1884-5 is estimated at the same figure as the previous year, viz., \$37,700,000, and the Expenditure at \$42,000,000, thus leaving a deficit of \$4,700,000.

Later advices, however, state the estimated expenditure has been reduced by about \$3,000,000.

Immigration continues to a very large extent, the past year showing a great excess over previous years.

COLOMBIA, UNITED STATES OF  
(NEW GRANADA).

STATEMENT OF COLOMBIAN  $4\frac{3}{4}$  PER CENT. EXTERNAL  
DEBT OF 1873.

Original Amount ... ..	£2,000,000		
Bonds drawn and paid off previously to default ... ..	86,500		
Bonds outstanding ... ..	<u>£1,913,500</u>		
<i>Arrears of Interest.</i>			
Certificate for Balance of Coupon	£	s.	d.
No. 26 at 1s. 9d. per cent. ...	1,679	18	3
28 Coupons, Nos. 27 to 54 both inclusive ... ..	636,239	0	0
Coupon Certificates (1st to 4th Coupons) ... ..	8,665	6	0
Total ... ..	<u>£646,584</u>	<u>4</u>	<u>3</u>
Principal of Debt ... ..	1,913,500	0	0
Arrears of Interest and Certificates	646,584	4	3
Grand Total	<u>£2,560,084</u>	<u>4</u>	<u>3</u>

Colombian Committee.

The Right Hon. E. Pleydell  
Bouverie, *Chairman.*  
L. N. Bonar, Esq.  
M. Castello, Esq.  
Hyde Clarke, Esq.  
Roger Eykyn, Esq.  
L. R. Lack, Esq.  
Christopher Rowlands, Esq.  
G. N. Strawbridge, Esq.  
C. Surgey, Esq.

Lt.-Genl. J. L. Vaughan, C.B.  
E. Wright, Esq.

*Secretary.*

Charles O'Leary, Esq.

*Bankers for the  $4\frac{3}{4}$  % Loan.*

London and County Bank.

*Agent at Bogotá.*

Arthur Malo O'Leary, Esq., of  
H.B.M.'s Legation.

The fear expressed in the last Report that the insurrection which broke out in Colombia in December 1884 would retard the ratification of the Agreement concluded in London with the Fiscal Agent of Colombia, has unfortunately been realised.

The revolution, which at the date of that Report was confined to a few provinces, rapidly spread in other directions, and early in the spring embraced the entire Republic. For seven months the Government was engaged in a struggle for existence, which strained its resources to the utmost, and disorganised every branch of the fiscal administration. In such a state of affairs it would have been useless to press for a ratification of the Agreement, which, even if obtained, could not possibly have led to a resumption of payments. As soon, however, as peace was restored the agent of the Council in Bogotá renewed his representations on behalf of the Bondholders, and by the last mail he communicates the reassuring intelligence that the Government had agreed to submit the question of the Foreign Debt to the National Assembly, which had been convoked on the termination of the war, and was already in Session.

Details respecting the finances are wanting, no report having been published since the Civil War came to an end. That the situation is not prosperous there can be no doubt, as the terrible revolution which the country has undergone has strained its resources to the very utmost; but relieved as the country now is of the heavy expenses imposed by the war, the Council indulges the hope that it will soon be able to meet its obligations to the Bondholders.

As regards the industrial and commercial movement of Colombia, an interesting Circular has been recently addressed to the Diplomatic and Consular Agents of the Republic abroad, of which the following is a summary :—

It begins by stating that in spite of the war industrial pursuits have not been entirely suspended. The iron works in the neighbourhood of Bogotá, which produce excellent iron, have been furnished with machinery for making rails. An international Bank has been opened in the Capital by a North American Company, and another group of American capitalists has bought  $\frac{3}{7}$ ths of the rich "Zancud" Mine in Antioquia for \$1,714,300; and in Medellin, the centre of the most important mining district, an establishment had been founded for the separation of gold and silver by a novel application of electricity.

In this same district an American Company is preparing to open a mining bank. To the development of the mining industry of the country the Government principally looks for the re-establishment of the commercial equilibrium, which has been rudely shaken by the great and increasing fall in the price of other staple exports, particularly of coffee and quinine. The value of coffee exported from Colombia had fallen from \$3,000,000 in 1880 to \$1,381,395 in 1884; whilst that of quinine, which in 1882 figured for \$6,755,225, had dwindled down to insignificant proportions owing to the inability of the Colombian producer to compete with the rival industry in India and Ceylon.

Tobacco has also suffered a great reduction—from \$2,727,522 in 1875, to \$489,156; and, in fact, every article of exportation had diminished in quantity as well as value, with the exception of live stock and hides, both of which have considerably augmented in recent years—the former from \$10,918 in 1875 to \$528,560 in 1884, and the latter from \$464,392 to \$1,114,631 during the same interval of years.

"The only branch of industry," the Circular goes on to state, "called upon to furnish Colombia with the means of restoring the equilibrium between exports and imports is

"that of the precious metals. Who can doubt of the wealth of Colombia whose mines yielded \$640,000,000 in three centuries and a half? What other country in the world possesses an auriferous zone equal to that enclosed in our territory, and which extends over 250,000 square kilometres? In this area, comprised between the Pacific Ocean and the River Magdalena, are found the celebrated mines of Darien—the ancient mine of Castilla de Oro; those of Guamocó and Simiti, in the State of Bolivar; the alluvial mines of Choco and Barbacoas; the gold and silver mines of Supia; the gold mines in the Centre and South of the State of Cauca; the placers and lodes of Antioquia, the gold and silver mines of Mariquita, and the gold mines of Ibagué and Chaparral."

The following table shows the movement of trade in Columbia for the last twenty years:—

Years.	Imports.	Exports.
1864 to 1865 .....	\$ 6,723,593	\$ 5,012,691
1865 „ 1866 .....	7,897,206	6,772,017
1866 „ 1867 .....	5,526,773	5,494,259
1867 „ 1868 .....	6,392,866	7,376,997
1868 „ 1869 .....	7,255,092	8,137,000
1869 „ 1870 .....	5,843,451	8,077,153
1870 „ 1871 .....	5,862,711	8,247,817
1871 „ 1872 .....	8,045,982	8,253,806
1872 „ 1873 .....	12,515,639	10,477,631
1873 „ 1874 .....	11,165,491	10,587,282
1874 „ 1875 .....	6,849,028	9,984,836
1875 „ 1876 .....	7,328,928	14,477,897
1876 „ 1877 .....	6,709,109	10,049,071
1877 „ 1878 .....	8,708,797	11,111,196
1878 „ 1879 .....	10,787,654	13,711,511
1879 „ 1880 .....	10,387,003	13,804,981
1880 „ 1881 .....	12,071,480	15,836,943
1881 „ 1882 .....	12,355,555	18,514,116
1882 „ 1883 .....	11,504,028	14,857,170
1883 „ 1884 .....	9,926,486	13,501,178



## COSTA RICA.

## STATEMENT OF EXTERNAL DEBT.

*Six per Cent. Loan of 1871.*

Amount outstanding	...	...	...	£941,200
Interest overdue :—				
23 Coupons from 1st Nov. '74				
to 1st Nov. '85	...			649,428
Total	...	...	...	<u>£1,590,628</u>

*Seven per Cent. Loan of 1872.*

Amount outstanding	...	...	...	£1,750,100
Interest overdue :—				
24 Coupons from 1st April '74				
to 1st Oct., '85	...			1,470,084
Total	...	...	...	<u>£3,220,184</u>

Total Six per Cent. Loan of 1871	...	...	£1,590,628
„ Seven „ „ 1872	...	...	<u>3,220,184</u>
Grand Total of Debt	...	...	<u>£4,810,812</u>

*Seven per Cent. Costa Rica Committee.*

The Right Hon. E. Pleydell  
 Bouverie, *Ex-officio*.  
 G. Barham, Esq.  
 Francis Bennoch, Esq.  
 E. Lennox Boyd, Esq.  
 U. R. Burke, Esq.  
 T. Cave, Esq.  
 James Cooper, Esq.  
 T. Dowling, Esq.  
 W. E. Duncan, Esq.  
 Roger Eykyn, Esq.  
 W. Godfrey, Esq.  
 G. de G. Griffith, Esq., M.D.  
 Wm. Griffith, Esq.  
 G. D. Harris, Esq.

L. Harrison, Esq.  
 W. J. Harvey, Esq.  
 J. Cooke Harker, Esq.  
 Geo. Herring, Esq.  
 T. Hobday, Esq.  
 Saul Isaac, Esq.  
 G. A. King, Esq.  
 J. M. Louis, Esq.  
 J. F. Lovering, Esq.  
 H. Price, Esq.  
 A. W. Ray, Esq.  
 C. H. Stewart, Esq.

*Secretary.*

Charles O'Leary, Esq.

## Seven per Cent. Costa Rica Sub-Committee.

The Right Hon. E. Pleydell  
 Bouverie, *Ex-officio*.  
 G. Barham, Esq.  
 F. Bennoch, Esq.  
 U. R. Burke, Esq.  
 T. Cave, Esq.  
 W. Godfrey, Esq.  
 L. Harrison, Esq.

G. Herring, Esq.  
 Saul Isaac, Esq.  
 J. F. Lovering, Esq.  
 A. W. Ray, Esq.  
 C. H. Stewart, Esq.

*Secretary.*  
 Charles O'Leary, Esq.

## Six per Cent. Costa Rica Committee.

G. T. Rait, Esq., *Chairman*.  
 The Right Hon. E. Pleydell  
 Bouverie, *Ex-officio*.  
 Tudor Crawshay, Esq.  
 F. Freeman, Esq.

H. Staples, Esq.

*Secretary.*  
 Charles O'Leary, Esq.

## Joint Sub-Committee of Conference.

The Right Hon. E. Pleydell  
 Bouverie, *Ex-officio*.  
 G. Barham, Esq.  
 F. Bennoch, Esq.  
 T. Cave, Esq.  
 F. Freeman, Esq.  
 L. Harrison, Esq.  
 G. Herring, Esq.

Saul Isaac, Esq.  
 G. T. Rait, Esq.  
 A. W. Ray, Esq.  
 H. Staples, Esq.  
 C. H. Stewart, Esq.

*Secretary.*  
 Charles O'Leary, Esq.

The Scheme for the settlement of this Debt, to which allusion has been made in the Reports of the Council of the last two years, was again brought in a modified and more acceptable form to the cognizance of the Council in the early part of 1885, by Mr. M. C. Keith, the Agent of the Government and Contractor for the Railway. Its distinguishing feature was the undertaking on the part of Mr. Keith to resume the payment of the Debt in July 1886,

instead of January 1888. The great objection to the previous proposal having thus been removed, the two Committees of Bondholders, to whom the new Scheme was referred, consented to negotiate. Assisted by the Council, they laboured long, and not without success, to improve it, and finally concluded an arrangement which the holders of Bonds of the two Loans accepted and ratified at a joint General Meeting, held for that purpose on the 9th June last.

The arrangement was in due course sent to Costa Rica for ratification by the Congress. Some delay was experienced in consequence of objections raised by the Government to certain clauses, but most of these objections having been waived on the representation of Mr. Keith, the arrangement was at length ratified. The few alterations introduced by the Congress were laid before the Joint Sub-Committee of Conference of the 6 and 7 per Cent. Committees, and accepted by them, as it was considered that they were generally unimportant, and in one or two instances calculated to improve the settlement. A copy of the Decree ratifying the Arrangement, and showing the modifications introduced by the Congress, is appended.

Mr. Keith is now engaged in the formation of the new Railway Company, an indispensable preliminary to the success of the whole Scheme. When the Council and Committees shall have been informed of the completion of Mr. Keith's arrangements, the old Bonds will be called in, and new ones issued in pursuance of the terms of the Agreement, a copy of which, and of the Law upon which it is based, is appended to this Report.

General Prospero Fernandez, who succeeded to the Presidency of the Republic upon the death of General Guardia, died early in the past year. During his Presidency he initiated many important measures for the benefit of the

people of Costa Rica, amongst which may be mentioned the revision of the Code of Laws on Public Instruction, and important improvements in the financial system.

The Internal Debt of the Republic has been gradually amortized since December 1882. This has been effected by an annual assignment of \$500,000 from the proceeds of the Customs Duties. The Bonds are of the value of \$100 each, and bear 12 per cent. interest per annum from the 1st December 1882, and are paid, capital and interest, when drawn in the quarterly lottery.

The following figures give the amount of amortization from 1st December 1882, to 25th February 1885 :—

Union Bank	...	Principal	\$437,000
Anglo-Costa Rican Bank...		"	292,000

Making a total of	...	...	<u>\$732,000</u>
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The total value of Imports during 1884 was £704,384, and the value of Exports for the same period was £1,548,307.

Mr. Cecil Sharpe, the British Consul, in his Report on the Trade and Commerce of Costa Rica for the year 1884, speaking of the trade of the Ports of Puntarenas and Limon, says :—

“ Up to within the last three years Puntarenas, which is  
 “ only reached by crossing the Isthmus of Panama, or going  
 “ round Cape Horn, was the only port available for the  
 “ introduction of merchandise and shipping of produce ;  
 “ but since then, through the indefatigable energy of Mr.  
 “ Minor C. Keith, the railroad, combined with a cart-  
 “ road, has opened up communication between Port Limon  
 “ and the capital, and in the year of which this report  
 “ treats, the value of imports and exports began to tell in  
 “ its favour.

“Those unacquainted with the position of the Republic and the ports on the Pacific and Atlantic will see by a glance at the map that Port Limon is undoubtedly the natural port for receiving merchandise and exporting the produce of country.

“At present about half the coffee crop is still exported by Puntarenas, but as soon as the additional facilities required on the railroad are made by Mr. Keith, there is little doubt that three-fourths of the whole shipping of the Republic will be done at Port Limon.”

[TRANSLATION.]

DECREE OF THE GOVERNMENT OF COSTA RICA respecting the Arrangement of Mr. MINOR C. KEITH with the Bondholders.

“LA GACETA,” COSTA RICA, No. 16.  
16th October, 1885.

BERNARDO SOTO, Commander-in-Chief of the Army,  
and Constitutional President of the Republic of  
Costa Rica,

Having examined the Arrangement proposed by Mr. Keith on the 3rd June, 1885 to the Council of Foreign Bondholders, for the Conversion of the External Debt of Costa Rica and completion of the Atlantic Railway, which Proposal, written in English and translated in Spanish, says :

[Here the Agreement of 3rd June 1885, is recited.]

*Considering,*

That the Council of Foreign Bondholders of London, by letter No. 988, of the 16th June last, has notified to this

Government that, at a General Meeting of Bondholders of the Six per Cent. and Seven per Cent. Loans of Costa Rica of 1871 and 1872, held in that City, on the 9th of June 1885, it was resolved to accept the arrangement, dated 3rd June of the same year, proposed by Mr. M. C. Keith, with the addition of the words, "Up to the fourth part of the "total amount of capital offered for subscription," to be inserted at the end of paragraph 4 of Art. 6, and the alteration of the ordinary share capital of the Company mentioned in Art. 5, which "should not exceed £1,800,000 sterling."

*Considering,*

That the Arrangement proposed by Mr. M. C. Keith for the conversion of the External Debt of Costa Rica and completion of the Atlantic Railway, with the explanations and modifications which the Government made in it in the following Decree, may be adjusted to the stipulation of the Convention of 21st April 1881,\* having heard the vote of the Council of Ministers, and in accordance with Art. 19 of the Decree No. 2 of the said 21st of April,

*Decrees :—*

ONLY ARTICLE. The above-mentioned arrangement of the 3rd June 1885, is approved with the following modifications and explanations :—

"ART. 2 of the Convention shall read thus : "The agent "to be appointed in accordance with Clause 8 of the Contract, and the house to be entrusted in London with the "service of the Debt, shall be nominated by the Government of Costa Rica and the Council of Foreign Bondholders, and shall be reputed agents of both."

ART. 3, par. 2, shall receive the following addition :—

\* This is evidently an error of the local printer, and should read 1884.

“The Sinking Fund shall be formed in the manner provided in Clause 9 of the Contract. All the drawings of Bonds for redemption shall be effected by the house entrusted with the service of the Debt in London half-yearly, provided there are funds available for that purpose, in presence of a notary, one month before the maturity of each half-yearly coupon, at which date the principal of the bonds shall be paid off at par, and the interest shall cease thenceforth on the Bonds so drawn, unless the failure to pay the principal should arise from want of provision of funds for that purpose.”

ART. 4. To be eliminated.

ART. 8, par. 2. This paragraph shall read thus: “In accordance with clause 4 of the Contract the surplus of new Bonds, after the necessary provision for the conversion of the old ones has been made, shall be delivered to the Agent of the Government of Costa Rica, who shall hand them over to the contractor, and shall, with the latter, proceed to invest them in the manner and for the purposes provided in clause 4 of the Contract and par. 3 of Art. 1 of the proposed arrangement.”

ART. 9. This Article is substituted in this way: “The new Bonds having been once issued, the old Bonds converted shall remain on deposit in the custody of a bank or commercial firm, to the satisfaction of the Government of Costa Rica and the Council of Foreign Bondholders until the 1st July 1894, as security for the fulfilment of this Convention. After this date the Government shall be entitled to demand their return, cancelled, to their agent, provided there shall not have been any default in payment of interest or in the delivery of Customs Bonds previously to that date.”

ART. 11. To the end of this Article shall be added: “In case of disagreement between the Agent of the Govern-

“ment of Costa Rica and the Council of Foreign Bondholders, the appointment of an arbitrator shall be proceeded with in accordance with clause 31 of the Contract.”

Given in the Presidential Palace at San José de Costa Rica on the 14th day of October 1885.

(Signed) BERNARDO SOTO.

*Secretary of State for Finance and Commerce,*

(Signed) MAURO FERNANDEZ.

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## EXTERNAL DEBT OF THE REPUBLIC OF COSTA RICA.

SIX PER CENT. LOAN, 1871.

SEVEN PER CENT. LOAN, 1872.

ARRANGEMENT FOR SETTLEMENT of the above Debt, proposed by Mr. MINOR C. KEITH (Special Agent of the Government of Costa Rica, and Contractor and Concessionnaire under Contract ratified by Law of Congress of Costa Rica, on the 21st of April 1884) to the COUNCIL OF FOREIGN BONDHOLDERS (acting in conjunction with the Committees of Bondholders of each Loan) as representing the Bondholders of the External Debt of Costa Rica.

BY A LAW OF THE CONSTITUTIONAL CONGRESS of the Republic of Costa Rica, passed on the 21st of April 1884, a Contract between the Government of Costa Rica and



Mr. Keith, for settlement of the External Debt and the conclusion and working of the Railway to the Atlantic, is approved and ratified in all its parts, which Contract, so far as material to the present arrangement, provides as follows :—

CLAUSE I. Keith, for himself, or in the name of the Company he may organise (therein called “the Undertaking”), engages to settle the Debt of Costa Rica, contracted in London, and issued in 1871 and 1872 respectively, upon the following conditions :—

(1.) Conversion of old 6 and 7 per Cent. Bonds into New 5 per Cent. Bonds.

(2.) Reduction of the Capital to an amount not exceeding £2,000,000 sterling.

(3.) The said amount of New Bonds to provide for :—

(a.) Settlement of Claims against the Government of the houses in London issuing the said loans, and others.

(b.) Cost of Conversion of the Debt.

(c.) Payment of Interest down to 31st December 1887.

(4.) The Government to employ the Customs revenues in payment of interest on the New Bonds from 1st January 1888.

(5.) As a guarantee for the Government and the Bondholders, the Old Six and Seven per Cent. Bonds to be deposited in hands of a third party named in accord between the Agent of the Government and the Bondholders.

(6.) The Bonds deposited to be cancelled on completion of the Railway, and returned to the Government.

(7.) In case, after conversion of the Debt, the Undertaking should not raise the funds necessary for construction of the Railway, in accordance with Clause 10, the Contract to be null, the Old Bonds remaining in full legal force, and the

New Bonds issued being withdrawn, things to remain in the same condition as before any arrangement.

CLAUSE 2. Authorises Mr. Keith, either personally, or by arbitration as therein mentioned, to proceed to an arrangement with the said creditors.

CLAUSE 3. (1.) So soon as the conversion of the said Debts shall have been arranged, the Government, by its Agent duly authorised, to issue the said New Bonds.

(2.) For payment of the interest on the New Bonds the pound sterling to be calculated at \$5 62½c. Costa Rican currency, or the equivalent thereof, in which exchange all commission is included. Any difference arising from purchase of Bills of Exchange, either in favour of or against the Government, to be arranged every six months by the Government with the Agent of the Bondholders.

CLAUSE 4. The Government of Costa Rica, through its Agent, to employ a portion of the Bonds issued in covering :—(a.) The expenses of the conversion. (b.) For interest. (c.) For payment of the sums, with interest, claimed by the said issuing houses and others (by which £618,000 sterling Bonds detained as guarantee of such claims will be released) subject to the legitimacy and amount of such claims being determined.

CLAUSE 5. The form and wording of the New Bonds to be approved by Mr. Keith before issue, and the Bonds to be signed by an Agent of the Government duly authorised.

CLAUSE 6. (1.) The New Bonds and the interest thereon to be paid exclusively out of the net proceeds of the Customs dues of the Republic, which the Government reserves as a special hypothec for the Loans converted, and the New Bonds to have no further guarantee or security than such Customs dues, and the good faith of the Government.

(2.) By the fact of the conversion of the Debt, the hypothecs constituted as a guarantee for the Six and Seven per Cent. Loans will be cancelled; but as the proceeds of the said Customs are now pledged for the payment of the Internal Debt, the Government shall only commence to dispose of such revenues from 1st January 1888.

(3.) The interest on the New Bonds to commence to be paid on the 1st of October 1885, and to continue to be paid by the Government, in accordance with the Contract.

(4.) If on 1st January 1888, the Customs revenue should still be liable for any part of the Internal Debt for which it is now pledged, the Government to make the payment of the interest from other revenues, until the Internal Debt is extinguished in its totality.

CLAUSE 7. The Government engages not to charge at any time the New Bonds, and not to introduce any modifications in the actual Customs tariff, by which the hypothec constituted in favour of the said Bonds may be prejudiced.

CLAUSE 8. (1.) For payment of the interest on the New Bonds, the Government to issue at the beginning of each year, commencing from 1st January 1888, notes to be called *Customs Notes* for the total amount of the interest in each year.

(2.) The said notes to be accepted in payment of the totality of the import and export duties, and delivered to an Agent of the Undertaking for disposal, and remittance of the proceeds to the house charged with the service of the Loan.

(3.) Payment of Duties in money or in any other manner shall not be allowed until the Customs Notes delivered to the said Agent (who will not be able to demand a premium or commission in sale thereof) shall have been realised.

CLAUSE 9. (1.) Ten years after the payment of interest having commenced, that is to say, in the year 1898, the Government shall add to the 5 per cent. interest on the New Bonds, 1 per cent. per annum on the capital, destined, with the accumulative interest on the Bonds drawn, to form a sinking fund for the payment of the capital by means of drawings.

(2.) The said 1 per cent. to be also paid out of the net revenue of Customs, and guaranteed by the same.

CLAUSE 10. (1.) The payment of the External Debt being so arranged, and with the object of completing and equipping the Railway, and in order to reimburse Mr. Keith the moneys which the Government owes to him, the Undertaking is bound to raise sufficient capital, not exceeding \$6,000,000 effective Costa Rica currency.

(2.) Such capital to be provided by issue of Bonds or other securities hypothecating the properties of the Undertaking; and such number of ordinary shares as the Company may deem fit shall be issued.

(3.) The proceeds of these Bonds to remain deposited, and to be paid out to the Contractor for construction of the Railway as the works proceed, and on certificates of the Company's Engineer, *viséd* by the Engineer of the Government.

CLAUSE 11. With the capital so raised the Undertaking to construct a Railway from the vicinity of the River Reventazón on the Atlantic Railway through the valley of that river and terminating at the City of Cartago.

CLAUSES 12 to 18 provide for repairs, rolling-stock, stations, quays, etc., and tariffs and traffic arrangements, etc.

CLAUSE 19. (1.) The Executive power is authorised to grant powers and special authorities to Mr. Keith, within the limits of the present Agreement, for the settlement of the

Debt of the Republic in Europe, both in order to enter into new conditions with the holders of Bonds, and for the conversion thereof, and issue of new Bonds with special • hypothecs on the Customs, in conformity with Clause 6.

(2.) The construction of the Railway to commence six months after the conversion of the Debt, and to be concluded within three years from date of such commencement.

(3.) On expiration of three years from date of approval of the Contract (*i.e.*, from 21st April 1884), without the Undertaking having obtained the settlement of the Debt and the Capital for the construction of the Railway, the Contract to be null and void.

CLAUSE 20. The Company to be called the "Costa Rican Railway Company," with its domicile wherever incorporated, but subject to the Courts and Laws of Costa Rica.

CLAUSE 21. (1.) The Government cedes to the Undertaking for 99 years, in full ownership, the Railways constructed between Limon and Carrillo, between Cartago and Alajuela, and that to be constructed under the contract, with all movables, buildings, and appurtenances.

(2.) The Lines already constructed, with the appurtenances, to be delivered over on commencement of construction of the new Section of Railway.

(3.) The 99 years to commence to run from completion of such new Section.

CLAUSE 22. (1.) The Government cedes to the Undertaking 800,000 acres of waste lands, either along the Railway or in other parts of the territory, at option of the Undertaking, the land for construction of the Railway, and buildings and materials for the same on the waste lands throughout the extent of the Railway, and two lots of national property at the Port of Limon for quays, etc.

(2.) The Government not to establish territorial imposts on said lands for twenty years from commencement of concession. On expiration of such twenty years, land not cultivated or otherwise utilised to return to the Government.

CLAUSES 23 to 26 provide for introduction of Railway materials free of duties; for transfer to a Company or otherwise; for preferential right to extensions; for management; and for inspection by the Government of books, etc.

CLAUSE 27. On expiration of the ninety-nine years the lands not sold, and the Railway, with all rolling-stock and appurtenances, to revert to the Government without payment.

CLAUSE 28. (1.) The Government to receive from the Undertaking one-third of the ordinary paid-up Shares, with all rights appertaining thereto after service of the Bond Debt of the Company.

(2.) The approval of the Government not to be required for raising or increasing the Share Capital from time to time, without prejudice to the right of the Government to one-third thereof.

(3.) The Government to be entitled to a moiety of the net proceeds of lands cultivated or utilised by sale or lease during the Concession.

CLAUSES 29 to 31 impose money penalties for non-completion of the Railway within the stipulated time, and make provisions as to termination of the existing lease of the present Railway held by Mr. Keith, and payment of compensation to him by the Undertaking therefor, and for reference of disputes to arbitration.

On the 25th of April 1884, a Special Power was granted by the President of the Republic of Costa Rica, under the Great Seal of the Republic, in favour of Mr. Keith, pur-

suant to Clause 19 of the said Contract, conferring on him (in addition to and as complementary of the authority given to him by the said Contract and Concession, and without prejudice thereto) a power as full and ample as in law may be required as special Representative of the Republic to negotiate with the Bondholders of the said Six and Seven per Cent. Loans respectively for conversion thereof; to agree, compromise, or arrange with such Bondholders or their representatives for the issue to such Bondholders as may agree to such arrangement of the agreed proportion of the said new Bonds; to nominate the houses to take charge of the conversion and exchange of the Bonds and service of the Loan; and generally to do all acts and execute all instruments necessary for carrying into effect the above purposes, with special authority to name a person to sign the Bonds of the new issue; the said Executive Power agreeing to hold as valid and effectual all that the said attorney shall do or stipulate in the premises.

In pursuance of the said Law and Contract and the special powers above mentioned, the following arrangement, for submission to the Bondholders, has been agreed between Mr. Keith, as Agent and Representative of the Government, and as Contractor and Concessionnaire under the said Contract, on the one hand, and the Council of Foreign Bondholders, acting in conjunction with the Committees of Bondholders of the two Loans, on the other hand:—

ARTICLE 1. (1.) The Government shall create New Five per Cent. External Bonds of the State for £2,000,000 sterling, secured, and to be redeemed as by the said Law and Contract provided, in full settlement of the outstanding External Debt of the State, and of the other payments mentioned in Clause 1 of the said Contract.

(2.) Such Bonds shall be called Bonds of the "Consolidated External Debt of Costa Rica," and shall be issued in two series for the respective amounts following:—

## SERIES A.

600 Bonds of £500 each	£300,000
1,750       "   £100   "	175,000
1,000       "   £50   "	50,000
	<hr/>
	£525,000

## SERIES B.

1,400	"	£500	"	£700,000
6,750	"	£100	"	675,000
2,000	"	£50	"	100,000
				<hr/>
				£1,475,000
				<hr/>
				£2,000,000

(3.) The said New Bonds shall be dated 1st January 1886; shall be in a form agreed on between the Agent of the Government and the Council of Foreign Bondholders; and shall have forty Interest Coupons attached, payable in London half-yearly, on the 1st of January and 1st of July in each year, at the rate of 5 per cent. per annum, the first of such Coupons being payable on the 1st of July 1888. In addition thereto four special Coupons, payable on the 1st of July 1886, 1st of January and 1st of July 1887, and 1st of January 1888, out of funds which shall be provided by Mr. Keith as Contractor, shall be issued with such New Bonds, those on the Bonds of Series A at the rate of 5 per cent. per annum, those on the Bonds of Series B at the rate of 4 per cent. per annum.

(4.) The Interest Coupons from time to time falling due on the Bonds of Series A shall be paid preferentially out of all funds available for payment of interest on the said Consolidated Debt before payment of any Coupons on Bonds of Series B, but otherwise Bonds of both series shall rank equally for all purposes.

ARTICLE 2. The Agent to be appointed in accordance with Clause 8 of the said Contract to receive and collect the



Customs Notes for service of the Consolidated Debt, and the house in London charged with the service of such Debt shall be nominated by the Government of Costa Rica and the Council of Foreign Bondholders, and shall be reputed Agents of both.

ARTICLE 3. (1.) The Government shall be entitled, if they think fit, to commence the payment of Sinking Fund mentioned in Clause 9 of the said Contract, at any earlier date, and at any time to increase the amount of such Sinking Fund.

(2.) The Sinking Fund shall be formed in the manner provided in Clause 9 of the Contract. All drawings of Bonds for purposes of redemption shall be made by the house charged with the service of the Debt in London, half-yearly, whenever funds shall be available for such purpose, in presence of a Notary, one month before either half-yearly due date of Interest, on which date the Principal of drawn Bonds shall be paid at par, and Interest shall thereafter cease on Bonds so drawn, unless non-payment of the Principal shall arise by non-provision of funds for that purpose.

(3.) The numbers of drawn Bonds shall be advertised in two London daily morning papers.

(4.) Drawn Bonds shall be cancelled on payment, and delivered to the Government on demand.

ARTICLE 4. (This Article was eliminated by Executive Decree of 14th October 1885.)

ARTICLE 5. (1.) On ratification of this arrangement, pursuant to Article 13, Mr. Keith undertakes forthwith to form a Company in terms of the said Contract.

(2.) The ordinary Share Capital of the Company (to be issued wholly or partly, as required, fully paid-up) shall not exceed £1,800,000, in shares of £10 each, representing approximately the cost of the present Railway. One-third

of such Shares will be allocated to the Government, as provided by Clause 28 of the said Contract, to reimburse in part the expenditure, amounting to about £1,600,000, of the Government from its own resources on the construction of the Railway. A further portion of such Shares will be allocated to the Bondholders pursuant to Article 6, and the remainder will be at the disposal of the Company.

ARTICLE 6. The Bonds of the Loans of 1871 and 1872 shall be withdrawn from circulation and converted at the following rates :—

(1.) For each complete set of 23 arrear Coupons due 1st November 1874, to the 1st November 1885, both inclusive, on the 6 per Cent. Bonds of 1870, and for each complete set of 24 arrear Coupons due 1st April 1874, to the 1st October 1885, both inclusive, on the 7 per Cent. Bonds of 1872, in respect of each £100 Bond, and so in proportion for any less number of Coupons, there shall be issued :—

£22 10s. in fully paid-up Shares of the Company, if the Capital to be raised pursuant to Clause 10 of the said Contract shall be issued at or below the average rate of 6 per cent. per annum.

£26 10s. in fully paid-up Shares of the Company, if the said Capital shall be issued at a rate above the average of 6 per cent. per annum.

(2.) For each £100 Bond of the Six per Cent. Loan of 1871 shall there be issued £50 New Five per Cent. Bonds of Series A, with all Coupons mentioned in Article 1 attached.

(3.) For each £100 Bond of the Seven per Cent. Loan of 1872 there shall be issued £50 New Five per Cent. Bonds of Series B, with all Coupons mentioned in Article 1 attached.

(4.) Bondholders lodging their Bonds pursuant to Article 7, in sufficient time before allotment of the said

Railway capital on its issue to the public during the progress of the Conversion, will receive on demand a Certificate entitling them, if subscribing therefor, to an allotment at the public issue price in preference to all other Subscribers to such public issue up to one-fourth of the total amount of capital offered for subscription.

ARTICLE 7. The Council of Foreign Bondholders shall, by public advertisement, call on holders of Old Bonds to lodge their Bonds for Conversion in terms of Article 6, and shall proceed to issue the New Securities:—(a) On the provision or guarantee of the funds for construction of the Railway, as required by Clauses 1, 10, and 19 of the said Contract, being proved to their satisfaction, and a contract for such construction within the limits of the funds so provided for being produced; (b) On New Bonds for the amount mentioned in Article 8, duly signed, being handed to the Council for the purposes of the Conversion; and, (c) On the funds for payment of the first four Coupons on the New Bonds, as provided by Section 3 of Article 1, and for the expenses of such payment, being deposited with the House in London charged with the service of the Debt.

ARTICLE 8. The amount of the New Five per Cent. Bonds to be handed to the Council pursuant to Article 7 shall be sufficient to cover the Conversion, at the rate fixed by Article 6, of the outstanding Old Bonds, according to figures to be certified by the Agent of the Government and approved by the Council, but excluding any Old Bonds held in London for account of the Government, which the Agent of the Government shall declare to be cancelled, and the distinguishing numbers of which he shall notify to the Council, which Old Bonds, on being released on settlement of the claims of the parties holding the same, shall be produced to the Council, in verification of their cancellation.

and returned to the Government. The Council shall hold the said New Bonds exclusively for purposes of the present arrangement, and as trustees for the Government and the Bondholders.

(2.) In accordance with Clause 4 of the Contract, the surplus of the New Bonds, after provision made as afore-said for conversion of the said Old Bonds, shall be delivered to the Agent of the Government of Costa Rica, who shall hand them over to the Contractor, and shall with the latter proceed to invest them in the manner and for the purposes provided in Clause 4 of the said Contract and paragraph 3 of Article 1 of this arrangement.

(3.) Any New Bonds held by the Council against Old Bonds outstanding at the close of the conversion provided for by Article 10, shall be cancelled and delivered to the Agent of the Government; but, nevertheless, the annual sum applicable to interest on the said total issue of £2,000,000 shall not be reduced, and any available surplus of such sum shall be applied, by way of sinking fund, to special drawings of Bonds at par, in manner provided by Article 3.

ARTICLE 9. (1.) The New Bonds having been once issued, the Old Bonds converted shall remain deposited in custody of a bank or commercial firm, to the satisfaction of the Government of Costa Rica and the Council of Foreign Bondholders, up to the 1st July 1894, as security for fulfilment of this arrangement, after which date the Government will be entitled to require [that the same be cancelled and returned to its Agent, provided no default shall have been previously made in the due payment of interest, or the delivery of Customs Notes for its provision.

(2.) In case of such default at any time prior to the actual cancellation of such Old Bonds, the holders of the New Bonds shall be entitled, on surrendering the same, to claim in place thereof a rateable return of Old Bonds, in

which case all rights and hypothecations attaching to the said Old Bonds shall revive in full, with the exception only of the lien on the Railway, which lien the Bondholders release in consideration of the payment of interest during the first two years, and the issue of Railway shares in respect of Arrear Coupons, as hereinbefore provided.

ARTICLE 10. The Council will, at the request of the Agent of the Government, after the expiration of one year after they shall have commenced to issue New Bonds under Article 8, by public advertisement in two newspapers, fix a date, not exceeding six months thereafter, for closing the operation of the conversion, after which date any New Bonds remaining in hand as the equivalent of still outstanding Old Securities shall be cancelled and delivered to the Agent of the Government.

ARTICLE 11. All questions and matters arising under the present arrangement, or in carrying the same into effect (including the issue, if found necessary, of fractional certificates exchangeable within a limited period, and on conditions to be named therein), shall be settled in accord between the Council of Foreign Bondholders on the one hand, and the Agent of the Government or the Railway Company (as the case may require) on the other. In case of disagreement between the Agent of the Government and the Council, the appointment of Arbitrator shall be proceeded with in accordance with Clause 31 of the Contract.

ARTICLE 12. If the Conversion and exchange of Old for New Bonds shall not have commenced, in terms of Article 7, before the 30th of June 1886, or before a further date to which the Council may deem it expedient in the interest of the Bondholders to extend the same, in accord with the Agent of the Government and the Railway Company, this arrangement shall be void, and the Bond-

holders shall revert to their original rights and positions in every respect.

ARTICLE 13. The present arrangement is subject to ratification by resolution of a General Meeting of Bondholders of the said Loans of 1871 and 1872, to be convened by the Council, and held in London within twenty-one days from this date.

London, the 3rd day of June 1885.

MINOR C. KEITH,

*Special Agent and Representative of the  
Government of the Republic of Costa  
Rica, and Contractor.*

*For the Council of Foreign Bondholders, acting in conjunction with the Committees of Bondholders of the Six per Cent. Loan of 1871, and Seven per Cent. Loan of 1872, of Costa Rica.*

E. P. BOUVERIE,

*Chairman.*

NOTE.—The above Agreement of 3rd of June 1885 includes the amendments, modifications, and alterations introduced, on ratification, by the Executive Decree of the 14th October 1885, published in the *Official Gazette* of Costa Rica of the 16th October 1885.

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*Translated from "La Gaceta," Official Journal of the Republic of Costa Rica, dated San José, Saturday, 17th October 1885.*

## EXECUTIVE POWER.

No. 17.

BERNARDO SOTO, Commander-in-Chief of the Army, and Constitutional President of the Republic of Costa Rica;

Considering that by Decree No. 16, dated the 14th of the current month, the Contract as to Conversion of the External Debt of this Republic has been approved ;

Considering that the time has arrived when the organisation of the Company, which is to conclude the Atlantic Railway, should be proceeded with ;

Considering that for the good success of the measures directed to forming such Company, it is necessary to make certain explanations as to the Contract of 5th April 1884, which are within the spirit thereof ;

Therefore in conformity with Article 19 of the said Contract,

*Decrees :*

ARTICLE 1. The Government authorises the formation of an English Company for the purpose of carrying out the construction of a Railway, which, starting from the vicinity of the River Reventazon, on the Atlantic Railway, shall pass through the valley of the said river and terminate at the City of Cartago, as also for the other works which are specified in the Contract entered into with Mr. M. C. Keith, on the 5th day of April 1884, sanctioned by the Constitutional Congress of the Republic, by Decree No. 2 of 21st April of the same year, with the obligations, rights, and privileges that are stipulated in such Contract.

ARTICLE 2. The Company that may be organised for those purposes shall not be responsible for the obligations or the engagements contracted by the nation, by reason of the Contract of Conversion of the External Debt, entered into by Mr. Keith with the Bondholders of the Loans of the Republic, but such irresponsibility shall not modify or destroy the connection between that arrangement and the construction of the Railway.

ARTICLE 3. The Company that may be formed is authorised to raise a capital of one million two hundred and fifty-five

thousand pounds sterling, in accordance with Clause 10 of the Contract of 5th April aforesaid.

ARTICLE 4. The Company that may be organised shall have full control of the capital that may be raised, but no payment shall be made to the Contractor of the railway for any work executed in Costa Rica, except on production of the Certificate of the Engineer of the Company, *viséd* and approved by the Engineer of the Government of Costa Rica.

Given at San José, at the Presidential Palace, on the Sixteenth day of October, one thousand eight hundred and eighty-five.

BERNARDO SOTO.

*The Secretary of State in the Department of Finance,*

MAURO FERNANDEZ.

NOTE.—On the 14th of January 1886, the President cabled his consent to read Clauses 16 and 17 of the Concession of 21st April 1884:—

“Costa Rica Gold of the present coinage or its equivalent,” instead of “Costa Rican money.”

## ECUADOR.

### STATEMENT OF EXTERNAL DEBT.

Amount of Principal outstanding ... ..	£1,824,000
Interest overdue 36 Coupons (1st May 1868, to 1st November 1885, at 1 per cent. per annum) ... ..	328,320
Total Debt on 1st January 1886 ... ..	<u>£2,152,320</u>



### Ecuadorian Committee.

Rt. Hon. E. Pleydell Bouverie, <i>Ex-officio.</i>	Admiral of the Fleet, Sir Provo Wallis, G.C.B.
F. Bennoch, Esq.	Ed. Wright, Esq.
L. N. Bonar, Esq.	<i>Secretary.</i>
Hyde Clarke, Esq.	Charles O'Leary, Esq.

No favourable opportunity has during the past year presented itself to the Council and the Committee for approaching the question of a negotiation for the settlement of the Debt of this Republic.

From the Report of the Finance Minister, which was presented to Congress in June last, it appears that the Revenue for 1884 was about £400,000, and the Expenditure, including interest and capital paid to the Banks of Ecuador, Quito, and La Union on account of loans made to the Government, was given as £600,000, thus showing a deficit of £200,000.

This deficit was met by loans which were obtained by the Government from merchants in Guayaquil and other districts, for the repayment of which the Customs Dues and Cocoa Tithes for 1885 were pledged; consequently the income of the present year, calculating it as equivalent to that of 1884, is already mortgaged to the extent of 50 per cent.

The Finance Minister was of opinion that the revenue for 1885 would reach only 50 per cent. of that of the preceding year, and in support of such opinion he quoted the income of the Guayaquil Custom House, which, from January to June 1884, inclusive, was \$418,809 15c, and from January to May 1885, inclusive, only reached \$204,250 68c.

The value of imports at the port of Guayaquil, according

to the statement presented to Congress for the year 1884, was £1,927,000, and of exports was £744,380.

No definite proposals, with which to meet the anticipated deficit were submitted by the Government, but it was recommended that the import duties should be increased by 25 per cent., that the tithes should be abolished, and, for the simplification of the collection of duties, it was suggested that a system of Certified Consular Invoices should be established.

In accordance with the above recommendations, a new Customs Tariff came into operation on the 1st November last, and a Decree has been passed for the establishment of Consular Invoices on all imported goods. This Decree came into effect on the 28th of October last.

A Contract has been concluded between the Government and Mr. T. M. Kelly, a British merchant, for the completion of the Quito railroad. The Government have undertaken to assign to Mr. Kelly a certain percentage of the Customs duties to pay the expenses of its construction.

The "Anglo-Ecuadorian Bank" is formed in connection with this railway scheme, and was opened on the 1st September last.

The Local Debts of the Government are as follows :—

Bank of Ecuador	...	...	\$1,132,019 15
Bank of Quito	...	...	176,708 74
Union Bank of Quito	...	...	314,013 80
Loans from Merchants	...	...	300,000 00
			<hr/>
			\$1,922,741 69
			<hr/>

The Council regret to report the death, in June last, of Mr. Henry Schirges, who had been for many years the Secretary of the Committee of Ecuadorian Bondholders.

## EGYPT.

Unified Debt outstanding January 1886	...	£55,990,980
Five per Cent. Preference Stock	do	22,296,800
Five per Cent. State Domain Debt	do	7,486,540
Daïra Sanieh Loan	...	8,660,000
Three per Cent. Guaranteed Loan	do	9,424,000

The Council has again to thank the Commissioners of the Public Debt for the regularity with which they have furnished the monthly returns of the sums derived from the Revenues applicable to the service of the Unified and Preference Stocks, thereby enabling it to communicate the same to the Press for the information of the Bondholders.

The following tables show the receipts for the five years, from 1881 to 1885 inclusive, in pounds sterling, converted at 97·5 piastres=£1:—

# UNIFIED DEBT.—OUTSTANDING AMOUNT, £55,990,980.

Months.	1881.	1882.	1883.	1884 (leap year).	1885.
1 to 31 January ..	£301,074	£293,061	£317,081	£276,893	£340,158
1 " end February ..	243,083	244,264	176,600	241,363	157,866
1 " 31 March ..	114,860	112,688	154,178	106,202	124,701
1 " 25 April ..	220,502*	204,503	138,208*	173,962*	187,906*
26 " 30 " ..	19,928	13,311	9,743	564,780	17,669
1 " 31 May ..	304,486	274,601	150,017	143,697	172,798
1 " 30 June ..	304,283	133,466	246,197	157,189	208,097
1 " 31 July ..	323,485	10,833	195,101	180,716	195,594
1 " 31 August ..	143,546	6,795	142,271	254,137	174,858
1 " 30 September ..	86,319	65,133	207,633	53,718†	211,024
1 " 25 October ..	319,376‡	621,968‡	424,231‡	79,958‡	376,849‡
26 " 31 " ..	12,172	36,418	85,733	52,306	62,476
1 " 30 November ..	354,125	412,042	407,252	415,589	284,653
1 " 31 December ..	422,122	459,377	440,233	430,542	722,990
Totals ..	£3,168,371	£2,918,460	£3,094,528	£3,131,047	£3,237,369
Deductions to complete service of Preference Stock.	* £26,810 ‡ £198,318	§ £343,549	* £20,337 § £330,870	* £104,317 † £384,364 (a) ‡ After 18th September the payments were unduly made to the Ministry of Finance.	* £83,867 § £121,977

(a) NOTE.—This reduction was afterwards reduced by £272, there being a balance of that amount in the Sinking Fund Account of the Preference Debt.

N.B.—A Five per Cent. Income-tax was deducted from the May and November Coupons, say £167,770, and this with £719,850 remaining after payment of the latter makes a total of say £887,620, the surplus of which the employment is regulated by Arts. 17, 20, and 21 of the Decree of the Khedive of 27th July, 1885.

## FIVE PER CENT. PREFERENCE STOCK.—OUTSTANDING AMOUNT, £22,296,800.

MONTHS.	1881.	1882.	1883.	1884. (Leap Year).	1885.
1 to 31 January .. ..	£112,853	£80,000	£120,000	£90,000	£100,000
1 " end February .. ..	60,000	90,000	60,000	98,223	50,000
1 " 31 March .. ..	106,910	90,000	60,000	60,000	50,000
1 " 14 April .. ..	35,147*	23,000	113,379*	41,776*	30,000
15 " 30 " .. ..	20,000	42,000	10,000	40,000	40,000
1 " 31 May .. ..	80,000	80,000	70,000	40,000	40,000
1 " 30 June .. ..	60,000	40,000	70,000	50,000	50,000
1 " 31 July .. ..	74,539	13,000	23,749	20,000	30,000
1 " 31 August .. ..	50,461	Nil.	10,000	40,000	60,000
1 " 30 September .. ..	75,000	10,000	20,000	20,000†	50,197
1 " 14 October .. ..	35,900‡	66,000‡	56,250‡	— §	165,245‡
15 " 31 " .. ..	40,000	30,000	40,000	60,000	64,537
1 " 30 November .. ..	120,000	100,000	90,000	110,000	80,000
1 " 31 December .. ..	152,000	100,000	70,000	110,000	120,000
Totals .. ..	£1,021,910	£763,000	£803,378	£779,999	£929,999
Additions taken from receipts of United Debt.	* £26,810 § £198,318	£343,549 § £343,549	* £20,337 § £330,870	* £104,317 § £384,364 (a) † After 18th September the payments were unduly made to the Ministry of Finance.	* £83,867 § £121,977

(a) Note.—See note to Unified Debt.

N.B.—A Five per Cent. Income-tax was deducted from the April and October Coupons.

Recent advices express a hope that there may be sufficient funds in hand in 1887 to pay off some of the Certificates given for deduction of the Five per Cent. tax on Coupons.

The International Convention on Egyptian Finance was concluded on the 18th March last, the Declarations being signed on that day by the representatives of Great Britain, Germany, Austria-Hungary, France, Italy and Russia ; and subsequently, on the 30th March, by the Turkish Ambassador.

The Declarations provided—1st, That the Turkish Government should authorise the issue of a Loan of £9,000,000 by the Egyptian Government, and under the joint guarantee of Germany, Austria-Hungary, France, Great Britain, Italy and Russia ; 2nd, For the treatment of foreigners in Egypt as regards taxation, on the same footing as the natives ; and 3rd, For the neutralisation of the Suez Canal.

The Egyptian Government on its part undertook to promulgate a decree for the issue of the Loan. The prospectus of the Egyptian Three per Cent. Guaranteed Loan of £9,000,000 net was brought out on the 30th July. The following is a summary of the provisions of the Decree of the 27th July authorising the Loan :—

A fixed annuity of £315,000 for the service of Interest and Sinking Fund, to be levied as a first charge on the revenues assigned to the Preference and Unified Debts, together with a supplementary Sinking Fund not exceeding £90,000, to be levied on the surplus revenues of those Debts as mentioned further on.

The Sinking Fund to be applied by purchase at the market price, or by drawings at par, should the stock be at a premium, but the Government reserves the right to pay off the Loan at par.

The proceeds of the Loan to be applied :—

1. To the payment of Alexandria Indemnities in full but without arrears of interest.	
2. To making good the deficit of 1884 and previous years	... .. £2,725,128
3. do. Deficit of 1885	... .. 1,230,769
4. To Irrigation Works	... .. 1,025,641
5. To the Commutation of Pensions	... .. 564,102
6. Funds reserved for service of Treasury	... .. 512,821
	<hr/>
	<u>£6,058,461</u>

Any balance to be applied to the reduction of the principal by purchase.

A temporary tax of 5 per cent. on the Coupons of the Preference and Unified Debts, maturing in 1885 and 1886 to be levied, and Certificates given, entitling the holder to eventual repayment of the tax, in case there should be sufficient funds for that purpose. Should any subsidy be made to the Daira or Domains Administrations to enable them to complete the interest on their respective Debts, a sum equal to the 5 per cent. tax on the whole respective interests of those Loans, up to the amount of the subsidy only, to be levied, and a similar certificate delivered to the holders. No tax to be levied on the Daira and Domains Coupons should their own Revenues suffice for the service of these Debts.

The redemption of the Preference and Unified Debt and the Sinking Fund of £42,500 provided for by the Convention with Messrs. Rothschild of 14th April 1880 (Domains Loan), to be suspended, except in the case of a possible surplus above the amount of £90,000 assigned as an additional Sinking Fund for the redemption of the Guaranteed Loan out of the revenues of the Preference and Unified Debts (after payment of interest on those Loans, less 5 per cent. tax and the fixed service of the

Guaranteed Loan of £315,000), when, after payment of the certificates given for the Five per Cent. Coupon tax and of the one-half reduction of the interest on the Suez Canal Shares, the remainder to be divided equally between the Budget of the administrative expenses of the Government and the service of the Sinking Fund of the above mentioned Loans.

The excess of the unassigned revenues (being the amount remaining after deduction of £5,371,282 allowed for administrative expenses, and as much over the sum of £569,230, included in the above amount, as may be required to bring the credits for the railway service up to the proportion of 45 per cent. on the gross receipts, the amounts of subsidies paid to the Treasury of the Debt and the Daira and Domains administration also being deducted), is to be paid into the Treasury of the Debt; but should the amount be insufficient, the said Treasury is to draw on its surplus, to make good the above-mentioned sum. The possible surpluses, as above, in 1885 and 1886, to be retained in the Treasury of the Public Debt until 15th April, 1887, when the Fund is to be distributed in the above-mentioned manner.

The 1st January 1886 is fixed as the date after which claims on the Government (in respect of the liquidation) will be barred and forfeited.

The Government is to retain the Bonds of the Preference and Unified Debts, forming part of the Liquidation Funds, the surplus of such Funds being at the disposal of the Government for the reduction of the principal of the Guaranteed Loan. The Bonds are to be cancelled after the payment of the Debts of the Liquidation.

The Reform Tribunals are not to have cognizance of the suit against the Government for the diversion of the Sinking Fund in September and October, 1884.

The Council regrets to have to record the death of Mr.



Francis W. Rowsell, English Commissioner for the State Domains Administration, which took place on the 4th September 1885.

Proposals had been made for letting the Domain lands at a good figure, viz., 50s. per acre, and they had received the approval of Mr. Gibson, who was acting in place of the late Mr. Rowsell, but the French Commissioner interposed some technical objection, and the scheme fell to the ground.

Mr. Vincent in his Report for 1884 gives the net revenue at £9,555,897, or say £207,180 in excess of the estimates, while at the same time it had not been found possible to put the taxes on foreigners (estimated at £102,564) in force. He, however, warns the public not to look at this figure as the normal revenue, as several circumstances, among which are the collection of arrears, and the increased traffic on the Railways, &c., owing to the military operations in the Soudan, combined to bring in certain revenues, which must be considered exceptional. He says:—

“ <i>Direct Taxes.</i> —Direct Taxes, of which the Land-Tax is			
“ the most important, have given, after making the above			
“ deductions of £52,307 on account of collections in kind,			
“ and £35,898 on account of Daïra Taxes of 1882 and 1883,			
“ a net revenue of	...	...	£5,457,435
“ The Budget Estimate, after deducting			
“ £205,128 for <i>non valeurs</i> , was	...	...	5,503,589
“ Showing a deficit of	...	...	<u>£46,154</u>

“ In the present condition of agriculture this result is  
“ satisfactory.

“ The fall in the Alexandria prices of Egyptian produce  
“ since December 1880, has been equal to:—

“ Cotton	...	22	per cent.
“ Cotton Seed	...	5½	” ”
“ Wheat	...	34	” ”
“ Beans	...	29	” ”

“ *Collection of Arrears.*—I think that a considerable sum

“ must be set down to the collections of arrears of taxation due on 1883 and 1882. In the course of the year the Ministry of Finance has issued most stringent orders that proprietors of all classes should pay their Land-Tax or in default be prosecuted. In this way several large land-owners, who had previously escaped, were compelled to pay not only the amounts due for 1884, but also the arrears of 1882 and 1883. The indebtedness of proprietors of more than 200 feddāns diminished during the last six months of the year from £168,799 to £115,328, or by an amount of £53,471.

“ The impartiality with which the Land-Tax has been demanded from both large and small, has produced an excellent effect and has done much to correct the unjust views of those Pashas who thought themselves entitled to enjoy immunity from taxation.

“ A further allowance should be made on account of the Expedition in Upper Egypt. Large sums have been expended by the military authorities on account of transport, of labour, and of provisions; the money thus received has undoubtedly facilitated the payment of taxes in all the provinces of Upper Egypt south of Siout.

“ *Indirect Taxes.*—The sources of Revenue classed under the heading of Indirect Taxes in the Budget of 1884 have given a revenue of £2,080,000, against an estimate of £2,018,462, or an excess of £61,538.

“ The largest increase is in the Customs duties. The estimated revenue amounted to £749,743, while the actual receipts were £817,435. This brilliant result has been attained notwithstanding a considerable fall in prices, which, as nearly all the Customs duties are *ad valorem*, affects to an important degree the amount collected. Mr. Caillard\* states that the increase is solely due to the operation of the new Commercial Treaties, more par-

\* Director of the Egyptian Custom House.

"ticularly to the treaty with Greece. Under the head of  
 "tobacco alone there is an increase of revenue amounting  
 "to £41,025 (see Table A). As the import duty was

TABLE A.  
 COMPARATIVE TABLE OF THE TOBACCO REVENUES OF THE CUSTOM HOUSE FOR NINE MONTHS  
 SUBSEQUENT TO THE SIGNING OF COMMERCIAL TREATIES WITH GREECE AND ENGLAND.

	1880.	1881.	1882.	1883.	1884.		
					Greek.	Turkish.	Total.
April ..	£ 4,563	£ 9,324	£ 9,956	£ 7,200	£ 4,278	£ 14,188	£ 18,466
May ..	4,227	7,134	5,896	6,314	7,613	4,741	12,354
June ..	3,006	6,776	2,373	7,245	6,989	4,917	11,906
July ..	3,950	5,987	752	2,552	4,708	4,489	9,197
August ..	4,001	5,781	417	2,151	3,764	3,031	6,795
September ..	5,408	7,191	7,499	7,009	3,116	3,459	6,575
October ..	6,575	7,977	14,055	7,106	8,000	5,361	13,361
November ..	7,966	7,069	11,412	10,208	5,419	4,883	10,302
December ..	9,179	20,937	13,115	12,060	7,615	5,002	12,617
Total for the 9 Months ..	48,875	78,176	65,475	61,818	51,502	50,071	101,573
Average Monthly Return ..	5,431	8,686	7,275	6,872	5,723	5,563	11,286

“ not raised by the recent treaty, this increase is due to the  
 “ development of legitimate trade and to a diminution in  
 “ the amount of smuggling.

“ The Octroi and the Salt duties have given fairly satis-  
 “ factory results. A further development may be expected  
 “ in 1885.

“ The deficiency in the other Indirect Revenues, amount-  
 “ ing to £27,692, is due to a decrease of receipts from  
 “ Stamps and from Navigation Dues. The former may be  
 “ attributed to a diminution in the amount of litigation  
 “ during the year; the latter, to the fact that the Govern-  
 “ ment received taxes in kind in Upper Egypt during  
 “ the summer, and brought the produce down by rail  
 “ instead of by river.

“ The decrease under this head is compensated by an  
 “ increase under Railways.

“ *Railways.*—The Railways gave in 1884 a revenue of  
 “ £1,440,000, against an estimate of £1,222,564. The follow-  
 “ ing is the explanation of this increase:—

“ Movements of troops and Army transports ...	£92,307
“ Government and Daïra transports ... ..	71,795
“ Sales of old material ... ..	20,513
“ Increase in Commercial transports ... ..	32,820

£217,435

“ Of the above items the increase in Commercial Trans-  
 “ ports is the only one of a permanent character. The others  
 “ are due to temporary circumstances, and should not be  
 “ taken into account in estimating the Revenue in future  
 “ years.

“ The increase in the receipts of the Port of Alexandria is  
 “ a satisfactory proof of the growing importance of the  
 “ trade of this town.

“ *Postal Steamers.*—The estimated revenue from Postal Steamers was £105,641; the receipts have amounted to £129,230, the excess being due in part to military operations in the Eastern Soudan. Satisfactory progress may, however, be reported regarding the Mediterranean Service, the system of paying agents by Commission having proved successful.

## “ THE EXPENDITURE OF 1884.

### “ COMPARISON WITH ESTIMATE.

“ The total expenditure in the year 1884 amounted to £10,327,179, but in this sum are included several extraordinary charges which, in previous years, have been treated as distinct from the ordinary account of revenue and expenditure, and for which no estimate was made in January. The principle now adopted is to bring all receipts and payments into the account, and, so far as possible, to leave nothing outside the balance-sheet presented at the end of the year. This change constitutes an important amelioration and renders it easy to form an accurate opinion of the finance of the year from the general account without reference to special subsidiary accounts which are less easily available. The difficulties which result from the other system, namely that of multiplying the number of accounts, and of excluding from the General Budget charges which cannot be met from the resources of the year, are well exemplified in the course of recent negotiations regarding Egyptian finance.

“ The largest items, for which no estimate was made in the original Budget, were: The Western Soudan, the deficits of the Daira Sanieh and Domains, the cost of the Army of Occupation, the payment of small Alexandria Indemnities the cost of collecting Land-Tax in kind, and

“ the construction of a new Custom House at Alexandria.  
 “ The charges incurred under the above heads have been as  
 “ follows :

“ Soudan in excess of Note of £112,820	
“ for the Red Sea Coast ... ..	£497,739
“ Deficit Daira Sanieh (amount paid in 1884)	305,177
“ Deficit Domains ( do. do. )...	157,948
“ Army of Occupation ... ..	91,261
“ Small Indemnities ... ..	210,703
“ Cost of Collection in Kind ... ..	53,246
“ Construction of new Custom House ...	32,138
“ Other Extraordinary Expenditure ...	20,202
	<hr/>
	£1,368,434
“ If we deduct this sum from ... ..	10,326,913
	<hr/>
“ We obtain a figure of ... ..	8,958,479
“ The amount set down in the original	
“ Budget was ... ..	8,673,846

“ The difference between these figures... .. £284,633  
 “ is mainly due to increased charges on account of  
 “ Pensions, of the Floating Debt, of Public Works, and of  
 “ the Police.

“ The Budget of 1884 was prepared on the recommenda-  
 “ tion of a Budget Committee which sat at the beginning  
 “ of the year and established the figures printed in the  
 “ Budget. The Council of Ministers only accepted the  
 “ reductions proposed by this Committee on the under-  
 “ standing that they should not be put in force at once,  
 “ but that they should be gradually carried out in the  
 “ course of the year. The consequence of this decision has  
 “ naturally been an excess of expenditure over the amount  
 “ set down in the Budget. Great repugnance was felt to

“ making large reductions of staff, without some warning  
 “ to those, whom it was proposed to dismiss, that their  
 “ services would be no longer required. The hardship  
 “ entailed upon clerks and the smaller class of officials  
 “ by dismissal from Government service is very great in  
 “ Egypt. There are practically only two occupations in the  
 “ country, agriculture and employment under Government.  
 “ A man who has been brought up in an office cannot  
 “ suddenly take to field labour, and there is no other  
 “ opening for the dismissed to gain a livelihood.

“ The following special circumstances further affected  
 “ expenditure in 1883 :—

“ 1. When the establishments of the different Ministries  
 “ were finally reduced, the charge for Pensions naturally  
 “ augmented, the amount of salary saved constituting the  
 “ gross figure of economy, and having to be diminished by  
 “ the amount payable to the dismissed employés on account  
 “ of pension. The evacuation of the Soudan further swelled  
 “ the Pension charge. The excess under this head amounted  
 “ to £128,205.

“ 2. The delay in settling the financial situation caused  
 “ heavy charges to be incurred on account of the Floating  
 “ Debt. The excess amounted to £94,359.

“ 3. Expenditure beyond the original Budget was  
 “ incurred by the Public Works Department with the  
 “ sanction of the Government on account of the barrage  
 “ at the head of the Delta and other special works. This  
 “ expenditure was thoroughly justified by the benefit which  
 “ the cotton lands of Lower Egypt received from the  
 “ work performed. The excess charge amounted to £51,282.

“ 4. The war in the Soudan rendered supplementary  
 “ votes for the Army necessary, as a battalion of Turks  
 “ and a battalion of Negroes had to be raised. The  
 “ campaign entailed extra expenditure under the Army

“Vote amounting to £41,026, whereas only £20,513 war expenditure were provided in the Estimates.”

The Returns for 1884 show that the total Revenue received to 31st December amounted to £9,644,404, leaving a balance of £850,112 still to be collected, the arrears left over from 1883 having been £637,180. The total Expenditure, including payments on account of the Daira Sanieh Loan to the amount of £305,177 and the Domains Loan, £157,781, together with the cost of building a new Custom House, £32,138, amounted to a total of £9,526,793, or £853,165 more than the estimate. The net result arrived at by comparison of the two sides of the account shows a surplus of £117,611.

The following Tables give the Budget Returns for 1884, arranged so as to separate the administrative from the Government expenditure, in order to show what is the actual net revenue apart from the cost of collection and administration :—



## REVENUE.

	Gross.	Cost of Col- lection and Administration.
<i>Direct Taxes :—</i>		
Land Tax, Kharadgi .. .. .	£4,425,031	} £391,675
Ouchouri .. .. .	686,081	
Tax on Date Trees .. .. .	78,515	
Other Taxes on Land .. .. .	80,433	
Professional and Urban and other Direct Taxes .. .. .	275,820	
<i>Indirect Taxes :—</i>		
Customs .. .. .	816,945	65,514
Post Office .. .. .	106,895	86,109
Octrois .. .. .	299,691	42,158
Salt .. .. .	216,432	72,969
Registration and Stamps .. .. .	70,750	—
Fisheries .. .. .	92,436	11,750
Navigation Dues .. .. .	84,486	3,811
Weighing Dues (farmed out) .. .. .	52,662	—
Slaughter-houses (ditto) .. .. .	21,326	—
Other Indirect Taxes .. .. .	9,469	—
<i>Railways, Telegraphs, and Port of Alexan- dria :—</i>		
Railways .. .. .	1,440,375	557,969
Telegraphs .. .. .	43,168	42,718
Port of Alexandria .. .. .	85,261	36,183
Hélonan Railway .. .. .	6,788	5,155
Postal Steamers .. .. .	129,491	101,786
Lighthouses .. .. .	91,734	27,087
Mint .. .. .	6,125	2,495
Ports other than Alexandria .. .. .	3,055	2,024
Rent of Government Property .. .. .	77,232	—
Miscellaneous .. .. .	45,007	—
Repayment of Advances to Cultivators .. .. .	242	—
Contributions to Pensions Fund .. .. .	55,987	—
Total Gross Revenue .. .. .	£9,301,437	£1,449,403
Less Cost of Collection, &c. .. .. .	1,449,403	
Net Revenue .. .. .	£7,852,034	
Net Expenditure (on next page) .. .. .	7,702,285	
Surplus .. .. .	£149,749	
But as the extraordinary expenditure amounted to .. .. .	852,043	
This surplus is turned into a deficit of .. .. .	£702,294	

## EXPENDITURE.

EXPENDITURE.	Gross.	Recovered by the Government.
Tribute to Turkey .. .. .	£695,571	—
Service of Debt .. .. .	3,815,484	—
Domains and Daira Deficits .. .. .	462,959	—
Interest, Commission, etc. .. .. .	128,797	—
Civil List .. .. .	307,961	—
Cabinet of the Khedive .. .. .	55,237	—
Ministerial and Legislative Councils .. .. .	16,024	—
Foreign Affairs .. .. .	10,987	—
Finance Ministry (including Treasury of Debt, £26,047, and Financial Adviser and Staff, £7,018) .. .. .	115,992	—
War Office and Army .. .. .	252,615	—
Marine and Navy .. .. .	21,559	£678
Public Instruction .. .. .	100,778	6,012
Interior .. .. .	73,279	—
Justice :—		
Native Courts .. .. .	157,808	309,043
International .. .. .	142,717	
Central Administration, etc. .. .. .	32,048	
Public Works .. .. .	605,629	12,659
Police .. .. .	267,015	—
Sanitary Services .. .. .	72,542	6,093
Prisons .. .. .	20,893	—
Cadastre (Survey) .. .. .	25,482	—
Printing Office .. .. .	37,106	8,481
Eastern Soudan .. .. .	112,820	—
Archives and Magazines (Warehouses) .. .. .	11,452	—
Sundries .. .. .	30,365	—
Pensions .. .. .	472,131	—
Total Gross Expenditure .. .. .	£8,045,251	£342,966
Less Recovered by Government .. .. .	342,966	
Net Expenditure .. .. .	£7,702,285	
To which should be added :—		
Cost of Construction of New Custom House .. .. .	£32,138	
Army of Occupation .. .. .	91,261	
Small Indemnities .. .. .	210,703	
Sundries .. .. .	20,202	
Soudan in excess of Estimate .. .. .	497,739	
Total Extraordinary Expenditure .. .. .	£852,043	

## THE DAIRA SANIEH.

The following is a summary of the Report of the Council of Direction of the Daira Sanieh for 1884 :—

The estimates give a probable deficit of £8,639. This amount has been exceeded by £3,382, the actual figures on the 31st December 1884 being :—

Receipts	...	...	£1,252,099
Expenditure	...	...	£1,264,120
<hr/>			
Deficit...	...	...	£12,021
<hr/>			

This result, however, is not so unfavourable as it might have been, in view of the considerable fall in prices of cereals and other produce during the year.

The receipts are about £57,435 less than the estimates, and about £269,743 more than the receipts of the previous year.

The expenses show a reduction of £54,358 on the estimates, and an increase over 1883 of £150,769. Comparing 1884 with the previous year, there is an improvement of about £115,897.

The "Profit and Loss Account" shows a profit of £312,002, against a loss of £12,611, made up by losses on the manufactory of Magaga and the Teflich of Fechn, which continues to be worked at a loss, and the factory of Abouxa, which does not obtain an amount of cane sufficient for remunerative working.

*Cultivation.*—The yield of cereals (see Table A) proceeds from only 18,000 feddans, viz., about 6,000 less than in 1883, in consequence of the increased area of lettings. The returns are not good as compared with former years, but this is explained by the inferior nature of the lands retained, the best lands having been let.

A.  
DAIRA SANIEH.

COMPARATIVE STATEMENT OF CROPS FROM 1880 TO 1884 INCLUSIVE.

	1880.			1881.			1882.			1883.			1884.		
	Feddans culti- vated.	Produce.	Ardebs.	Feddans culti- vated.	Produce.	Ardebs.	Feddans culti- vated.	Produce.	Ardebs.	Feddans culti- vated.	Produce.	Ardebs.	Feddans culti- vated.	Produce.	Ardebs.
Wheat ..	10,927	18,879	21,112	11,518	21,112	Ardebs.	6,262	10,368	Ardebs.	4,598	8,797	Ardebs.	3,311	4,389	Ardebs.
Beans.. ..	16,091	27,446	40,628	18,185	40,628	40,628	14,351	32,670	19,389	8,390	19,389	14,279	6,844	14,279	14,279
Barley ..	6,107	8,175	11,247	6,893	11,247	11,247	5,148	8,434	5,129	4,073	5,129	3,390	3,318	3,390	3,390
Various ..	7,231	16,743	12,389	7,488	12,389	12,389	6,459	8,347	6,757	4,817	6,757	6,172	4,698	6,172	6,172
Cotton ..	6,765	10,516	3,651	5,496	3,651	Cantars.	1,844	743	Cantars.	1,505	2,958	Cantars.	2,117	4,151	Cantars.
Sugar-cane.	37,930	9,225,839	2,846,573	20,414	2,846,573	2,846,573	26,737	7,366,592	7,366,592	20,847	3,566,636	3,566,636	17,098	5,821,241	5,821,241
Totals ..	85,049			69,994			60,601			44,230			37,356		

NOTE.—1 Feddan = 3208 Square Yards. 1 Ardeb = 3 Cantars = 226 lbs.

The sugar-cane harvest was below the estimate; producing only £23,126, against £25,856 in 1883.

The yield, however, has improved on the average although the area planted has been reduced by some 3,000 feddans; the amount of produce was increased by some 115,000 tons, realising £682,827, which, although £140,191 below the estimate, was £234,826 more than the corresponding proceeds last year.

The harvest was indeed a good one, but prices of manufactured produce have been unfavourable to a profit.

The mean yield in weight was 15½ tons of cane per feddan, which is an improvement in comparison with 1882.

#### MEAN YIELD OF CANE, 1882-83-84.

	1882.	1883.	1884.
	Tons.	Tons.	Tons.
Teftich of Minieh .. .. .	26·07	19·00	21·40
„ Massara .. .. .	9·05	7·00	16·30
„ Beba .. .. .	13·02	8·20	14·80
„ Fechn.. .. .	7·04	3·50	10·25
„ Mattai .. .. .	10·08	6·00	13·60
„ Magaga .. .. .	6·05	7·00	14·10
„ Erment .. .. .	12·08	6·00	16·18
„ Abu-el-Wakf .. .. .	8·01	1·60	9·13
„ Roda .. .. .	14·00	9·25	19·70

The following table shows the conditions upon which the lands are worked:—

	Lands not in Cultivation, or Fallow.	Lands Let and Cultivated in 1884.	Lands Let.	Lands cultivated in Association or Directly.
	Feddans.	Feddans.	Feddans.	Feddans.
Upper Egypt .....	55,863	269,161	200,943	68,218
Lower Egypt .....	96,493	74,321	68,081	6,243
Total .....	152,356	343,485	269,024	74,461

Of the lands under cultivation, the lettings reach a proportion of 79 per cent., whilst direct or associated cultivation has declined to 21 per cent., as against 75 per cent. and 25 per cent. respectively in 1883. The area of uncultivated or fallow land has diminished by about 8,000 feddans.

As before, it must be remembered that the net cultivated area of 343,485 feddans includes about 12,000 which have borne a double harvest during the year. The area of lands held by the Daïra has been reduced by sales in Upper and Lower Egypt during the year by 2,230 feddans.

*Lettings.*—Lettings are increasing in importance, and form now the larger part of the agricultural revenues.

The area let in 1884 exceeded that in 1880 by some 20,000 feddans, the amount due under this head being £400,604, or some £48,000 more than in 1883. This increase is partly due to the improvement in the letting price, the mean price per feddan being £1 9s. 5d., or about 1s. 6d. better than that year. On the other hand, owing to the fall in price of the manufactured article, the contract prices have had to be reduced by  $\frac{1}{8}$  of the former amount.

The collection of rents becomes increasingly difficult with the extension of the area let, the arrears in January 1885, when the accounts were closed, being £185,641. In June, however, this amount had been reduced to about £82,050, leaving about 20 per cent. yet to come in.

The Council of Direction think that half of these arrears will be easily recovered after a little delay; but it is hoped that the application of the Decree of 7th September 1884, permitting the seizure of standing crops as security, under agreement with the Minister of Finance, will ameliorate the position of the Daïra.

The amount of arrears likely to be recovered was estimated at £20,512; this may probably be exceeded.

*Live Stock.*—The loss from mortality during the year was £8,219, or £6,825 less than the previous year.

The following table gives some statistics regarding the live stock during 1884 :—

Class of Stock.	State at the end of 1883.	Bought in 1884.	Born in 1884.	Found in 1884.	Total.	Total from 1883 to 1884.	To be Deducted.				State at the end of 1884.
							Dead.	Sold.	Lost & Price Recovered.	Total.	
Oxen and Cows .. ..	3,499	260	104	—	364	3,863	602	262	—	864	2,999
Camels .. ..	106	—	5	—	5	111	25	3	—	28	83
Horses and Mules ..	128	—	17	—	17	145	21	23	4	48	97
Donkeys .. ..	908	—	66	1	67	975	109	97	4	210	765
Sheep and Goats ..	8,214	—	1,686	—	1,686	9,900	600	3,063	—	3,663	6,237
Totals .. ..	12,855	260	1,878	1	2,139	14,994	1,357	3,448	8	4,813	10,181

*Manufacture.*—The last report stated the results of the sugar season of 1883 as but middling, the supply of raw material having been insufficient; 1884 has left nothing to be desired on this point, 450,086 tons of cane having been crushed by the factories. Half of this quantity was furnished by private growers, and this explains in some measure a falling-off in the yield of sugar, which does not exceed 8·35 per cent., whilst in 1883 it was 8·48 per cent. of the weight of the cane. The private grower strives after weight rather than quality; it has therefore been found necessary to take measures to enforce the idea that quality, as well as weight, is required.

The produce obtained reaches a total of:—Sugar of all classes, 37,478 tons, or about 17,000 tons more than in 1883; molasses, 9,248 tons.

The following are the mean proportions of the produce obtained:—

1st Class Sugar	...	...	...	...	6·03 %
2nd „	...	...	...	...	1·81 %
3rd „	...	...	...	...	0·51 %
					<hr/>
Total Sugar	...	...	...	...	8·35 %
Molasses	...	...	...	...	2·05 %
					<hr/>
Total	...	...	...	...	10·40 %
					<hr/>

The distilleries have treated 1,965 tons of molasses, and have obtained a yield of 4,279 hectolitres of rectified spirit, or 16·97 litres per 100 kilogrammes of syrup.

The following table shows the products and returns of the sugar factories of Upper Egypt for the season 1884:—



TABULAR STATEMENT OF PRODUCTS AND RETURNS OF SUGAR FACTORIES OF UPPER EGYPT FOR THE  
SEASON 1884.

Name of Factory.	Pressure applied.	Cane treated.	Juice obtained.	Mean density of Juice.	Amount of cooked mass per 100 kilos. of Cane.	1st Class Sugar.			2nd Class Sugar.			3rd Class Sugar.			Total Sugar.			Molasses.			Spirit.		
						Quantity obtained.	Return % on Weight of Cane.	Return per Hec- tolitre of Juice.	Quantity obtained.	Return % on Weight of Cane.	Quantity obtained.	Return % on Weight of Cane.	Quantity obtained.	Return % on Weight of Cane.	Quantity obtained.	Return % on Weight of Cane.	Quantity obtained.	Return % on Weight of Cane.	Quantity obtained.	Return % on Weight of Cane.	Quantity obtained.	Return % on Weight of Cane.	Return % on Molasses treated.
Iotamah ..	75-25	Kilog. 19,893,332	Hectolit. 135,309	1-077	Lit. 9-34	1,435,909	7-23	Kilog. 10-63	523,440	2-63	182,733	0-91	2,145,062	10-77	438,795	2-32	Kilog. ..	..	Kilog. ..	..	Kilog. ..	..	..
Arment ..	75-62	37,090,400	266,627	1-067	8-69	2,555,105	6-92	10-02	821,646	2-21	232,042	0-62	3,621,793	9-75	720,000	1-94	..	..	..	..	..	..	..
Abayeh ..	73-10	17,086,191	116,860	1-075	9-30	1,215,722	7-11	10-40	365,103	2-13	95,426	0-56	1,676,251	9-80	360,000	2-11	..	..	..	..	..	..	..
Adah ..	59-64	73,712,989	422,379	1-085	7-05	4,109,237	5-68	9-72	1,181,882	1-53	369,375	0-50	5,610,494	7-61	1,400,000	1-94	..	..	..	..	..	..	..
boukourgas..	63-01	62,054,711	387,785	1-068	7-22	3,605,455	5-81	9-80	1,171,221	1-88	260,550	0-42	5,037,236	8-11	1,462,500	2-35	..	..	..	..	..	..	..
Finieh ..	62-	68,632,767	402,524	1-069	7-58	4,251,825	6-20	10-56	1,196,920	1-74	346,095	0-50	5,793,840	8-44	1,507,500	2-19	..	..	..	..	..	..	..
Iastaf ..	63-39	62,931,625	373,098	1-066	7-96	3,207,745	6-20	10-48	1,042,460	1-66	231,477	0-37	5,181,082	8-22	1,188,000	1-89	..	..	..	..	..	..	..
Iagaga ..	55-23	43,308,940	254,055	1-066	6-46	2,412,000	5-00	9-49	725,018	1-50	123,502	0-25	3,260,620	6-75	962,179	1-99	..	..	..	..	..	..	..
ibech ..	62-83	64,485,086	380,721	1-065	6-68	3,637,804	6-64	9-55	1,173,816	1-82	339,306	0-53	5,151,526	7-99	1,170,000	1-81	..	..	..	..	..	..	..
Totals & Mean	62-95	454,106,061	2,709,858	1-067	..	27,146,812	5-92	10-01	8,150,506	1-79	2,181,106	0-48	37,478,424	8-25	9,243,974	2-03	333,604	1,965,000	16-97	..	..	..	..

*Sales and Purchases.*—The total sales produced an amount of £711,393, being £280,821 more than the previous year; but that year being exceptionally bad, too much importance must not be attached to this increase, which would have been larger had it not been for the reduction in price.

Raw produce brought in £28,258, and manufactured produce £682,827.

Purchases of material have been effected on favourable conditions, on account of the stagnation of trade at Cairo and Alexandria.

*Taxes.*—There is a small increase under this head, as shown by the following table :—

TAXES IN 1883 AND 1884.

	1883.	1884.	Difference.
	£	£	£
Upper Egypt .. .. .	18,343	18,549	+ 206
Middle Egypt .. .. .	171,207	173,536	+ 2,329
Fayoum .. .. .	15,872	15,871	— 1
Lower Egypt .. .. .	20,450	18,634	— 1,816
Totals .. .. .	£225,872	£226,590	+ £718

*Land Sales and the Sinking Fund.*—Sales of land have been almost nil, the total area sold from the 1st August 1884, to the 30th June 1885, being 431 feddans for an amount of £6,205; in addition to which some plots of ground at Suez and Tantah, and a house at Boulacq, brought in a sum of £640.

The purchases of Bonds for the Sinking Fund have, notwithstanding, amounted to £50,000, nominal value, the total redemption to the 30th June 1885, thus amounting to £750,000, and reducing the Debt outstanding on the 1st July 1885, to £8,745,440.

(The amount outstanding at the end of 1885 was £8,660,000.)

*Control of the Debt.*—The Service of the Coupons has proceeded with regularity. The Law of Liquidation having fixed a period of five years for the prescription of the Coupons of all the Egyptian Debt, 80 Coupons matured on the 15th October 1879, which had not been presented within that period, have been declared null and void. Of Coupon No. 2, due 15th April 1880, there are 399 on the Register in the same condition, but the Franco-Egyptian Bank has not yet rendered a statement of the matter.

*Sales of Old Material:—*

Balance from 1883	...	...	£14,448
Amounts realised in 1884	...	...	13,725
			<hr/>
			28,173
Deductions made in 1884	...	...	3,874
			<hr/>
Balance at end of 1884	...	...	<u>£24,299</u>

*General Observations.*—As was said at the commencement of this Report, the accounts for 1884 are on the whole satisfactory, for in spite of the low prices obtained for produce the Daira will be able, after defraying its working expenses, to meet the service of the Debt, and pay about £215,384, or, say, 95 per cent. of the amount claimed by the Government under the head of taxes.

The net result of the year's working is shown in the annexed account, which is balanced by a deficit of £12,021; and the only item which will be likely to receive much modification is that of arrears of rent, which it is hoped may be recovered.

On the whole, the improvements introduced into the working during the last five years and the extension of the letting system, in spite of every difficulty, constitute a real

advance, and had the prices of produce remained as during last year, that deficit would have been turned into a surplus of more than £97,435.

A telegram from Cairo, dated 10th January 1886, states that the deficit for 1885 will be only £41,795, as against £184,615 last year, and is almost entirely due to arrears of rent.

#### STATE DOMAINS.

The Report of the Commissioners for 1884 shows that out of the 410,807 acres of land in hand at the end of 1883, only 2,741 had been sold in 1884 for an amount of £43,452, which was paid over to Messrs. Rothschild for the purchase of Bonds. This leaves a balance of 408,066 acres in the hands of the Commissioners. There is still a sum of £71,122 due for lands sold: but this is not available at once, being payable by instalments over a period of ten years. The contract for the sale of lands entered into with MM. Suarès Frères was rescinded at their request, in consequence of their inability, in the circumstances, to effect sales to the stipulated amount.

There is a decrease of the area let of 25,543 feddans, and an increase of bad lands in hand of 18,832 feddans. The financial and administrative situation in Egypt, coupled with the low prices obtained for produce, have contributed to ruin farmers. Some of the largest have been unable to pay, their rent, and there are considerable losses on that account, besides which nearly all the lands when surrendered are exhausted. The increase in bad lands is explained by the fact that a proportion of the latter have been let with farms now given up, where the good and bad lands were taken *en bloc*. The mean letting price per feddan in 1884 was only £1 8s. 8d., as against £1 10s. 11d. in 1882, making a decrease in the item for rent of £26,271.

The workable lands now in the possession of the Commissioners may be stated at 343,142 feddans, and are subject to the following charges:—

Taxes	...	...	£239,304
Loans	...	...	450,613
Advances	...	...	<u>13,333</u>

Making a total of ... £703,250 or £2 1 0 per feddan.

Expenses of cultivation and administration	...	...	417,181	„	1	4	2	„	„
Total	...		<u>£1,120,431</u>		<u>£3</u>	<u>5</u>	<u>2</u>	„	„

As 218,092 feddans are let at a rental of £310,559, or £1 8s. 6d. per feddan, viz., at £1 16s. 8d. per feddan, less than the expenditure which it has to meet, it follows that the remaining 125,040 feddans retained under the direct cultivation of the Commission should produce a sum of £809,872, or £6 9s. 5d. per feddan, which is £5 0s. 11d. per feddan more than the amount obtained for rent. This statement will explain the difficulty of the task set before the Domains Administration.

The following table gives a general view of the ordinary receipts from 1879 to 1884:—

GENERAL VIEW OF THE ORDINARY RECEIPTS FROM 1879 TO 1884.

Year.	Lands under cultivation.		Lands farmed out.		Houses.	Total.
	Area.	Produce.	Area.	Produce.		
1879	Feddans. 177,962	£ 932,815	Feddans. 169,618	£ 230,377	£ 35,472	£ 1,198,664
1880	149,022	853,695	195,883	266,772	21,737	1,142,204
1881	131,847	675,234	226,694	320,158	23,009	1,027,401
1882	122,445	592,759	263,047	389,688	16,408	998,855
1883	110,291	589,624	251,645	381,155	7,790	978,569
1884	125,040	*593,757	218,090	310,559	†3,603	907,919

\* Including £26,643 produce unsold, and £35,308 not yet paid.

† £26 in arrear.

The following Table gives the general total Expenses for the years 1879 to 1884:—

GENERAL TOTAL OF EXPENSES FOR THE YEARS 1879 TO 1884.

	1879.	1880.	1881.	1882.	1883.	1884.	Total.
Taxes.. ..	\$ 179,861	\$ 173,502	\$ 154,161	\$ 151,482	\$ 148,812	\$ 147,692	\$ 955,510
Coupons and Commission ..	213,562	426,997	424,324	420,376	404,665	390,100	2,280,524
Sinking Fund .. ..	360	47,902	135,828	90,494	462,449	339,487	776,520
Tewhida Hanem Loan, Service of .. ..	31,533	21,024	21,230	21,230	21,109	21,022	137,148
Advances .. ..	—	10,097	17,708	14,299	14,026	—	56,130
Purchase of Land .. ..	—	9,922	—	—	—	—	9,922
Total Amount paid to or for the Government .. ..	425,316	689,444	753,251	698,381	1,051,061	598,301	4,215,754
Expenses of Cultivation and Administration, .. ..	471,910	468,111	521,574	446,029	413,994	427,895	2,749,513
TOTALS .. ..	897,226	1,157,555	1,274,825	1,144,410	1,465,055	1,026,196	6,965,267

REVENUE AND EXPENDITURE ACCOUNT FOR 1884.				
Received or due from 1st January 1884, to				
31st March 1885	...	...		£907,919
Paid or payable during the same period	...	...		1,025,318
				<hr/>
Deficiency	...	...	...	£117,399
Extraordinary Budget Revenue	...	£43,452		
Expenditure	...	...	43,452	
Add taxes not paid in Unassigned Provinces				96,845
				<hr/>
Total Deficiency for 1884	...	...		£214,244
The final accounts with the Government for				
1883 showed a deficiency of £80,934, of				
which the Government had paid £57,719,				
leaving a balance of				
	...	...		£23,215
Deducting arrears recovered from 1882	...			1,902
				<hr/>
There remains a sum of	...	...		£21,313
Which together with the deficiency for 1884				117,399
				<hr/>
Makes a total due from the Government of				£138,712

Should it, however, be decided to suspend the operation of the Sinking Fund for 1884, the sum due from the Government will be reduced to £39,236.

The following table shows the operation of the Sinking Fund from 1879 to 1885 inclusive :—



Year.	Stock Redeemed.		Total.
	By Sales of Lands, &c.	By Ordinary Sinking Fund.	
1879 .. .. .	£380	—	£380
1880 .. .. .	5,620	42,120	47,740
1881 .. .. .	95,500	49,080	144,580
1882 .. .. .	54,500	48,300	102,800
1883 .. .. .	450,280	51,880	502,160
1884 .. .. .	49,080	11,140	60,220
1885 .. .. .	—	—	155,580

Total £1,013,460

Amount of Issue.. .. . £3,500,000

Outstanding .. .. . £7,486,540

NOTE.—The amount proceeding from the sale of lands, etc., from 1879 to 1884 inclusive, and employed in the redemption of Stock, is stated at £614,759.

## GUATEMALA.

### Guatemala Committee.

General Sir George Balfour,  
K.C.B., M.P., *Chairman*.  
George Cavendish Taylor, Esq.  
*Deputy-Chairman*.  
Right Hon. E. Pleydell  
Bouverie, *Ex-officio*.  
J. C. Bayley, Esq.  
L. N. Bonar, Esq.  
James Roberts Brown, Esq.  
Hyde Clarke, Esq.

F. G. Horne, Esq.  
Count de Torre Diaz.  
Morgan Yeatman, Esq.

*Secretary*.  
Charles O'Leary, Esq.

*Agents for Arrear Certificates*.  
Messrs. I. Thomson, T. Bonar  
and Co.

The Congress of Guatemala in March last ratified, in its amended form, the arrangement for the settlement of the Debt made by Mr. Horne, and steps were taken by Messrs. Thomson, Bonar and Co., the Financial Agents of the Republic in London, in conjunction with the Council and the Committee of Bondholders, for carrying out the conversion in the terms of that arrangement. The operation, however, had hardly commenced when General Barrios, the President of Guatemala, proclaimed the union of the Central American Republics. This important measure, adopted without sufficient preparation, and certainly without previous concert with all the States concerned, gave rise to war and the most serious complications, and led eventually to the defeat in battle and the death of General Barrios. His successor, General Barrillas, promptly re-established peace, but the expenses occasioned by the war rendered the immediate fulfilment of the arrangement with the Bondholders impossible, and a Decree soon appeared suspending the payment of the Debt for one year from the 1st of August 1885. Copies of that Decree and of the letter in which the Representative of Guatemala communicated it to the Committee, are appended to this report. As a necessary consequence the conversion of the Debt has been postponed till August next.

The financial situation of the Republic is anything but satisfactory. The public servants have not received any salaries for several months, and according to recent advices a Commission had been sitting daily for the purpose of finding a solution of the difficulties in which the Republic is placed. A plan has been formulated which has received the approval of the President, but so far no definite result has been obtained, mainly owing to the want of a definite and ample guarantee on the part of the Government.

The Proposed Scheme provides for the arrangement of the Internal Debt, which amounts in the aggregate to about \$6,000,000. The scheme depends upon a regular service of the whole Debt of the Republic being provided for by mortgaging the Customs duties, and placing the management of the Debt in the hands of an International Syndicate. The Customs duties are to be made unalterable for a series of years.

Señor Aguirre, the Minister of Finance, has increased the Import duties 20 per cent. from the 15th of December last; but out of the increased duties the Loans which the Barrios Administration obtained from the International Bank are to be repaid. Export duties on all produce of the Republic have been abolished, and the Government have undertaken to give a bounty of 50 cents on each 100 lbs. of sugar exported.

In June last arrangements were made by the Government for a Loan of \$500,000, to be advanced by the capitalists of the country in five monthly instalments, bearing interest at the rate of 12 per cent. per annum, and guaranteed by 50 per cent. of the Customs duties from January 1885. This Loan was contracted to meet the pressing administrative wants, the chief item being the expense of keeping an army on the frontier at a cost of \$10,000 daily.

[COPY.]

Letter from his Excellency Señor Medina to the Chairman  
of the Committee of Guatemala Bondholders.

GUATEMALA LEGATION,

PARIS, 17th August 1885.

To the Chairman of the Committee of Bondholders  
of Guatemala, London.

MY DEAR SIR,

The Finance Minister of Guatemala has addressed

a note to this Legation, under date of the 12th June last, of which the following is a copy:—

“In consequence of the political events which have  
“taken place from the beginning of March last, the Cabinet  
“formed by the Government of General Barrios was  
“changed, and after this event I was called in April last  
“by General Don Manuel L. Barillas, charged with the  
“Presidency of the Republic, to discharge the duties of  
“Secretary of Finance and Public Credit.

“The many and important occupations which absorb the  
“attention of this office, have given me hardly the time re-  
“quired for the study of the Convention entered into by  
“the Government on the 15th July 1884, with Mr. F. G.  
“Horne, for the resumption of payment of the English Debt,  
“and the instructions and power conferred in January of  
“the present year on Señor Don Crisanto Medina for  
“carrying out the necessary operations stipulated in that  
“Convention.

“Meanwhile I have received an official notification from  
“the same Señor Medina, dated Paris, 10th of April last,  
“in which he informs me that the preliminary conditions  
“and arrangements required by the Convention have been  
“completed, the General Bond only, which has to be de-  
“posited in the Bank of England, remaining to sign; but it  
“is to be considered that the war sustained by the Govern-  
“ment from the commencement of March aforesaid, after  
“the adjustment of the arrangement alluded to, has caused  
“great expense to the nation, compromised the public  
“revenue, and put the Treasury in grave difficulty.

“In view, therefore, of the present financial situation, the  
“General charged with the Presidency believes that it will  
“not be possible for the Government now to make remit-  
“tances of funds to England to make good the deficit  
“which may arise, in accordance with Article 6 of the Con-

“vention; notwithstanding, he has no difficulty in ordering  
 “the issue of Bonds to bearer on the 27 per cent. of the  
 “Customs Revenues assigned to the San José and Cham-  
 “perico Railway, in fulfilment of Article 5 of the said  
 “Arrangement.

“In virtue whereof, those interested in this matter must  
 “confide in the good disposition of the Government to  
 “carry out the arrangements entered into; hoping, in the  
 “future, and as circumstances may permit them, to make  
 “the remittances necessary for the purpose of completing  
 “the £60,488 mentioned in Article 5.

“These are the views which the Government desires you  
 “to bring to the knowledge of Messrs. Thomson, Bonar  
 “and Co., and the Chairman of the Committee of Guate-  
 “mala Bondholders.

“With sentiments of esteem and consideration,

“I am, etc., etc.,

“(Signed) ANTONIO DE AGUIRRE.”

In forwarding you the above, in accordance with the in-  
 structions which I have received,

I have the honour to be, Sir,

Your obedient humble Servant,

(Signed) CRISANTO MEDINA.

[TRANSLATION.]

DECREE NO. 345.

Dr. MANUEL BARILLAS, General and Acting President of  
 the Republic of Guatemala.

*Considering,*

That, notwithstanding the last loan lately decreed,  
 which has commenced to be collected, the Government is in

want of the necessary funds to meet with due regularity the costs of the public administration, to pay the arrears due to the army, current expenses, and personal loans made by those in the Public Service ;

*Considering,*

That the present position of the Treasury needs a step to reconcile national interests with those of the creditors of the Government.

Therefore,—With the consent of the principal creditors, he, the President, in Council, and in view of the full powers given to the Executive by the National Assembly on the 5th April last,

*Decrees,*

ARTICLE 1. The payments by the Treasury on account of the following debts are suspended for a year dated from the 1st of August next :—Bonds on the National (Interior) Debt, Railway Bonds, Documents on part exemption from Import Dues, Advances, and Contracts, the payments of which affect the revenue from liquors, or other source of revenue, Acceptances and Bills whoever may be the holder.

ARTICLE 2. The year of suspension mentioned in the preceding Article shall count for each obligation from the date of the maturity of the same.

ARTICLE 3. The obligations, contracts, or documents that pay interest, shall continue to do so, provided the same does not exceed 12 per cent. per annum, without altering the revenue consigned to the payments of these debts.

ARTICLE 4. From the 1st August aforesaid, payments to the Customs and Revenues of the Republic shall be made within the legal time and usual manner, in coin.

Dated at the Government Palace in Guatemala, the 31st  
of July 1885.

(Signed) MANUEL L. BARILLAS.

(Signed) MANUEL RAMIREZ,  
*Secretary of State for Foreign Affairs.*

MANUEL J. DARDON,  
*Home Secretary.*

MANUEL APARICIO,  
*Secretary for Education.*

ANTONIO DE AGUIRRE,  
*Secretary for Finance.*

#### HONDURAS.

5 per Cent. Loan, 1867	...	...	£78,800
10           "           "	...	...	900,700
6 $\frac{2}{3}$ "           1869	...	...	2,176,570
10           "           1870	...	...	2,242,500
			<hr/>
			£5,398,570
			<hr/>

In arrear from January 1873, inclusive.

#### Committee of Honduras Bondholders.

Right Hon. E. P. Bouverie,  
*Chairman.*

F. McAlpine, Esq.

Lt.-Col. W. T. K. Betty.

U. R. Burke, Esq.

Major-General Sir John Hamil-  
ton Cox, Bart., C.B.

Roger Eykyn, Esq.

Alfred Jaques, Esq.

W. Richardson, Esq.

His Honour Judge Snagge.

Geo. Cavendish Taylor, Esq.

E. Wright, Esq.

*Secretary.*

Charles O'Leary, Esq.

In October last, a gentleman connected with Honduras, but holding no commission or authority from the Government, made a proposal to the Committee, with a view to the settlement of the Debt. The terms suggested were carefully considered, but the Committee not deeming them satisfactory, the matter was allowed to drop.

From the Government itself no proposal or communication of any sort has been received by the Council or Committee since the date of the last Report.

The general trade of the country has suffered considerable depression during the past two years. This may be attributed to various causes, one of the chief being the depreciation of silver, and consequent heavy rate of exchange that now rules against the trade of the country. Another cause is the stagnant state of the Cattle Trade, which is one of the principal staples of export.

The Council are enabled, through the courtesy of Mr. Binney, the Consul-General of Honduras in London, to whom they are indebted for much valuable information, to lay before the Bondholders the annexed Budget for the year 1882-3. (The economic year dates from the 1st of August to the 31st of July.)

This is the latest account of the National Finances that has been published, and since then there has been some reduction made in the taxation on some branches of trade and some taxes have been abolished altogether.

The estimated Income and Expenditure for the two economic years, dated from 1st August 1885, to 31st July 1887, a Table of which is also appended to this Report, shows the large shrinkage that has occurred in the figures of Income and Expenditure since the last published Revenue Returns of 1882-1883.

By this estimate the receipts for each of the two years amount to \$994,780, while the expenditure for the same



period is put down at \$996,160, showing a small deficit for the year. The complete statement for the estimated expenditure has not yet been published by the Honduras Government.

During the past three years there have been a number of gold and silver mines opened up in the country, principally by Americans and American capital, and from the reported success of some of these undertakings it would appear that Honduras is coming into favour both in New York and Chicago, as offering a promising field for mining enterprise.

•

### REVENUE.

., Advances repayable ..

To Balance .. .. \$272,153.59

### EXPENDITURE.

By Foreign Liquors .. ..	\$5.05
„ Export of Cattle .. ..	21.25
„ Spirits .. .. .	180,669.99
„ Tobacco .. .. .	72,279.67
„ Gunpowder .. .. .	13,048.78
„ Mint .. .. .	7,317.37
„ Receivers' Fees .. ..	3,979.54
„ Public Instruction .. ..	15,742.49
„ Telegraphs .. .. .	56,200.95
„ Post Office .. .. .	12,933.13
„ Public Works .. .. .	11,676.09
„ National Printing Office	6,627.83
„ „ Buildings .. ..	94,993.24
„ Interest and Discount ..	127,353.93
„ Advances for Salaries ..	27.42
„ Contracts .. .. .	46,450.95
„ Expenses of Deputies ..	6,705.00
„ Deposits .. .. .	700.00
„ Cultivation “ Zarza ” ..	2,680.49
„ Benevolence .. .. .	892.21
„ Subvention to Steamers ..	2,500.00
„ General Hospital .. ..	353.79
„ Highway Board .. ..	17,526.44
„ Salaries and Expenses :—	
Finance Department ..	109,148.92
Justice „ ..	61,165.41
Home „ ..	70,580.93
Military „ ..	145,638.13
Executive „ ..	42,677.82
Foreign „ ..	26,060.37
Public Works „ ..	45,322.97
„ Bank of Salvad r .. ..	1,400.00
„ Converted Debt .. ..	66,789.35
„ Floating Debt .. ..	800.00
„ National Finance .. ..	713,820.55
„ Other Departments ..	438,869.83
„ Warrants .. .. .	210,299.15
„ Advances Repayable ..	431,279.15
„ Miscellaneous Military	
Expenditure .. .. .	118,402.19
„ Balance .. .. .	272,153.59

**\$3,435,093.47**

## ESTIMATED REVENUE.

The sum of \$994,780 is estimated as the minimum annual revenue for the two years from 1st August 1885, to 31st July 1887 :—

*Customs Revenue :—*

Import Dues	..	..	..	..	..	..	..	\$375,000
Tonnage and Anchorage Dues	..	..	..	..	..	..	..	5,000
Warehouse Dues	..	..	..	..	..	..	..	30,000
Toll Dues	..	..	..	..	..	..	..	1,000
Timber-cutting and Export Dues	..	..	..	..	..	..	..	20,000
Export Duty on Cattle	..	..	..	..	..	..	..	40,000
Duties on Lighthouse, Policy, Sanitary Permits, Export Certificates, Manifests, and Printed Forms	..	..	..	..	..	..	..	1,000
University, Poor Rates, &c.	..	..	..	..	..	..	..	25,000

*Sundry Revenues :—*

Spirits	..	..	..	..	..	..	..	300,000
Tobacco	..	..	..	..	..	..	..	100,000
Gunpowder	..	..	..	..	..	..	..	8,000
Telegraphs	..	..	..	..	..	..	..	20,000
Stamped Paper	..	..	..	..	..	..	..	25,000
Tax on Cattle	..	..	..	..	..	..	..	20,000
Post Office	..	..	..	..	..	..	..	2,280
Mint	..	..	..	..	..	..	..	4,000
Lands	..	..	..	..	..	..	..	6,000
National Printing Office	..	..	..	..	..	..	..	1,000
Fines	..	..	..	..	..	..	..	500
Balance of Sundry Accounts	..	..	..	..	..	..	..	1,000
Miscellaneous Receipts	..	..	..	..	..	..	..	10,000

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**\$994,780**

## ESTIMATED EXPENDITURE.

The sum of \$996,160 is estimated as the annual expenditure for the two years from 1st August 1885, to 31st July 1887 :—

*Home Department :—*

Legislature .. .. .	\$17,180
President and Presidential Staff .. .	21,080
Ministry .. .. .	4,320
Departmental Governors .. .	21,480
National Printing Office .. .	16,000

*Foreign Office :—*

Ministry .. .. .	4,260
Legations Abroad .. .	17,500

*Public Instruction and Justice :—*

Ministry .. .. .	3,480
Schools and Colleges .. .	65,000
Librarians and Office Expenses .. .	1,560
Supreme Court of Justice .. .	9,480
Court of Appeal .. .	16,380
Civil Courts .. .	36,344

*Finance :—*

Ministry .. .. .	5,640
General Revenue Board .. .	4,680
Office of Accounts .. .	3,360
Fiscal's Office .. .	1,416
Departmental Revenue Boards .. .	36,372

The Estimates from the other Departments have not yet been received.

\$285,532

## MEXICO.

## AMOUNT OF EXTERNAL DEBT OUTSTANDING.

Three per Cent., 1851	...	...	£10,241,650
Three per Cent., 1864	...	...	4,864,800

Interest in arrear from 1st July 1866, two-thirds of  
Coupon, due 1st July 1866, paid in 1869.

H. B. Sheridan, Esq., M.P.,  
*Chairman.*

Francis Bennoch, Esq., *Deputy*  
*Chairman.*

The Right Hon. E. Pleydell  
Bouverie, *Chairman of the*  
*Council of Foreign Bond-*  
*holders.*

The Right Hon. G. A. F.  
Cavendish Bentinck, M.P.

Lionel N. Bonar, Esq.

M. Castello, Esq.

Roger Eykyn, Esq.

Henry Guedalla, Esq.

James Corbet Irving, Esq.

P. McLagan, Esq., M.P.

B. Newgass, Esq.

Admiral of the Fleet Sir

Provo Wallis, G.C.B.

E. Wright, Esq.

*Secretary.*

W. W. Holmes, Esq.

It will be within the recollection of Mexican Bondholders that in the last statement published by this Corporation respecting the negotiations proceeding for the settlement of the Mexican Debt, the announcement was made of the nomination by the Mexican Government of a Commission to study and report upon the question of the Public Debt of the Federation.

On the Report of this Commission, the Mexican Executive promulgated a Decree, under date of the 22nd June of last year, purporting to provide for the consolidation and conversion of the above Debt.

So soon as the Council was officially apprised of this proceeding and furnished with the text of the document,

it had a translation made, which it published for the information of the Bondholders.

Under the terms of this document provision is made for the creation of a *Consolidated Debt of the United States of Mexico*, which is to bear interest at the rate of 3 per cent. per annum from and after the 1st January 1890, bearing intermediately interest at the following rates, viz. :—

During the year—

1886, 1 per cent. per an., payable	1st July, 1886, and 1st Jan., 1887.
1887, 1½ " " "	1st July, 1887, and 1st Jan., 1888.
1888, 2 " " "	1st July, 1888, and 1st Jan., 1889.
1889, 2½ " " "	1st July, 1889, and 1st Jan., 1890.
1890, 3 " " "	1st July, 1890, and 1st Jan., 1891.

and so thenceforward half-yearly at the same rate.

The Bonds of the existing Debt of 1851 are made, by the terms of this Decree, convertible at par, cent. per cent., into Bonds of this New Consolidated Debt, and the following provision is made for the regular payment of the above rates of interest by its Sixth Article, which is as follows :—

“ ART. 6. The National Bank of Mexico, for such commission as shall be agreed upon, shall be charged with the service of the National Debt.

“ It shall duly receive direct from the Maritime Custom House of Vera Cruz such amounts as may be necessary, in conformity with the half-yearly accounts to be drawn up showing the claims presented for conversion, for the service of the interest of the Debt in accordance with the corresponding item in the estimates for expenditure.

“ It will be the duty of the Bank to publish notices in advance, both in Mexico and in London, in the newspapers of largest circulation, informing the public of their possession, before the due date of each half-yearly

" payment, of the funds necessary to enable the creditors  
 " concerned to obtain payment."

As the receipts of the above Custom House are said to average a return of ten million dollars annually, it will be seen that the promised provision, so far as the claims of the holders of the Debt of 1851 are concerned, is quite adequate.\*

Although by the wording of the Decree, the terms on which it proposes to satisfy the claims of the holders of the Debt of 1864 are not stated, those claims are specifically referred to in the following words:—

### " SECTION III.

" ART. 19. The claims comprised in Art. 16 of this Law  
 " shall be converted in accordance with the following  
 " rules :—

" A. Bonds issued in virtue of the Law of 14th October  
 " 1850, shall be converted at par for the nominal capital.  
 " With respect to the twenty Coupons matured from, and  
 " subsequently to, the 1st July 1854, and other interest  
 " unpaid up to this date, they shall be deferred, and their  
 " mode of payment shall be the subject of special arrange-  
 " ment with the creditors."

From the above, which refers both to the 1864 Debt and the arrears of that of 1851, it will be seen that, under this Decree, it is proposed only to acknowledge the amount due

\* According to the " Mexican Financier," the receipts for the last six years were :—

1880	...	...	...	...	...	\$8,201,500
1881	...	...	...	...	...	9,929,000
1882	...	...	...	...	...	11,183,000
1883	...	...	...	...	...	12,938,000
1884	...	...	...	...	...	10,366,000
1885	...	...	...	...	...	10,250,000

in respect of the Coupons consolidated in the 1864 Debt, and representing 60 per cent. of its nominal amount.

The Certificates issued in 1851 and 1864 in respect of arrears of interest are presumed to be referred to under the terms of the following sub-section of Article 19:—

“ B. Unconsolidated claims in respect of the Debt contracted in London, shall be converted at 20 per cent.; so that a Bond of £20 sterling of the new issue shall be given for Certificates and recognised documents representing a claim of £100 nominal value.”

No provision appears in the Decree for the satisfaction of the claims of the holders of the Bonds of 1837 (known on the London Stock Exchange as Deferred Bonds).

The conversion contemplated by this Decree is stated to be voluntary. Creditors not accepting it, are said “to preserve their present rights to the principal, their Debt will be deferred, and will produce no dividend until upon the termination of the general conversion, the manner of treating their respective claims may be declared.”

The following arrangements are laid down for carrying out the conversion for such as accept it:—

“ In London the deposit shall be effected at such place as may be decided upon by common consent by the Representatives of the Bondholders and the Agent of the National Bank of Mexico, and with the approval of the Mexican Legation.

“ The deposit shall be made in the name of the Mexican Functionaries and the Representatives of the Bondholders who effect it, with the understanding that it shall be duly and respectively returned in any of the cases provided for in Art. 10 of this Law.

“ ART. 9. The creditors shall have the right of withdrawing their acceptance of the conversion, whenever the



“ Mexican Government may have failed to pay the interest  
 “ in three consecutive half-years.

“ If by the 1st January 1891 there has been no default  
 “ on the part of the Government in the payment of the  
 “ accrued Coupons, the conversion shall be definitive, and  
 “ Mexico shall be entitled to withdraw the deposit men-  
 “ tioned in the foregoing Article, and to have the old Bonds  
 “ delivered over to them for the purpose of immediate  
 “ cancellation.

“ ART. 10. If the interest corresponding to three succes-  
 “ sive half-years should remain unpaid, the creditors will  
 “ be entitled to apply for the return to them of the deposit  
 “ mentioned in Art. 8, and to claim back their old Bonds,  
 “ giving up the new Bonds that they have received. Any  
 “ amounts they may have received for interest shall be  
 “ charged to interest account on the old Bonds.”

A penal condition, however, is added to Article 10, in the following words:—

“ If the Mexican Government should have duly paid  
 “ the interest of the Debt contracted in London, and the  
 “ creditors, either personally or through the Committee of  
 “ Mexican Bondholders, shall in any way hinder the official  
 “ quotation of Mexican securities on the London Stock  
 “ Exchange, the Mexican Government shall be entitled to  
 “ demand the withdrawal of the deposit, and to suspend  
 “ the payment of interest.

“ On the withdrawal of the deposit, and the old Bonds  
 “ having been returned, the rights of the creditors shall be  
 “ the same as before such deposits were effected.”

This assumption of a right, on the part of the Mexican Government, to disallow such action as the Bondholders might be driven, in protection of their own interests, to take, would in itself render the acceptance of the Decree,

in its present terms, impolitic, even were the terms of settlement arbitrarily offered for the arrears under Sub-section B, Article 19, agreed to; but this condition, taken in conjunction with Sub-section A of the same Article, relegating to the condition of a Deferred Debt the 1864 Bonds, clearly shows that it would be impossible to recommend the Bondholders to accept, without modification, the terms embodied in the above Decree of 22nd June 1885.

Another defect is that, whereas by the abortive Agreements of 12th May 1883, and 18th September 1884, a resumption of interest at the respective rates of 3 per cent. and 2 per cent. had been agreed upon, the rate of 1 per cent. is now fixed for such resumption, without previous consultation with, or assent from, the Bondholders.

In these circumstances it was deemed desirable that communications should be opened with the Government, by the despatch of a Commissioner to Mexico; and on the 9th September 1885, a Public Meeting of the Bondholders being held, their sanction was given to such a course, and a request formally preferred to the Corporation of Foreign Bondholders to give it effect by selecting and sending such a representative.

A considerable time was consumed in endeavours to obtain the assistance of eminent men, who, from previous diplomatic service in Mexico, were peculiarly qualified to be efficient Representatives to the Government on behalf of the Bondholders; but these endeavours having proved finally unsuccessful, the Council was glad to be able to induce Mr. O'Leary, the Secretary to the Corporation, to undertake the duty. For this he was peculiarly qualified by his long residence in Colombia as British Consul-General, and his experience in similar negotiations in Colombia and in Spain.

Mr. O'Leary's departure, which would have taken place early in this year, has been postponed at the request of

the Government in view of the announcement of the immediate arrival in London of the members of the Financial Commission, nominated by the Mexican Government definitely to arrange the terms of settlement, and subsequently effect the conversion of the Debt.

### MISSISSIPPI.

Planters' Bank Bonds, 1831-3	...	\$2,000,000
Union Bank Bonds, 1838	...	5,000,000

#### Committee.

The Right Hon. E. P. Bouverie,	Arthur Tite, Esq.
<i>Chairman.</i>	William Trotter, Esq.
L. N. Bonar, Esq.	J. T. Wood, Esq.
J. Crouch, Esq.	
G. H. Hopkinson, Esq.	<i>Secretary.</i>
L. G. Moore, Esq.	Charles O'Leary, Esq.

The provisions of the Constitution of this State have hitherto proved an insuperable obstacle to any satisfactory arrangement of the State Debt. The Committee have, from time to time, been in communication with their correspondents in the State, and have recently been advised by them that there is a prospect of the Legislature now in Session recommending that a Constitutional Convention be called, which body would be invited to consent to modify these provisions.

## PARAGUAY.

Eight per Cent. Loan, 1871	...	...	...	£957,100
Eight per Cent. Loan, 1872	...	...	...	548,300
				<hr/>
				£1,505,400
				<hr/>

In arrear from June 1874 inclusive.

## Paraguay Committee.

The Right Hon. E. P. Bou-  
verie, *Chairman*.  
General Sir George Balfour,  
K.C.B., M.P.  
F. Bennoch, Esq.  
Lt.-Colonel W. T. K. Betty.  
L. N. Bonar, Esq.  
R. J. Browne, Esq.  
Hyde Clarke, Esq.  
George Herring, Esq.  
L. R. Lack, Esq.

J. Percy Leith, Esq.  
Robert Monekton, Esq.  
F. P. Obicini, Esq.  
M. Van Raalte, Esq.  
G. N. Strawbridge, Esq.  
S. Leith Tomkins, Esq.  
H. Woodfall, Esq.  
E. Zuccani, Esq.

*Secretary.*

Charles O'Leary, Esq.

## Paraguay Sub-Committee.

The Right Hon. E. P. Bou-  
verie, *Chairman*.  
F. Bennoch, Esq.  
George Herring, Esq.

M. Van Raalte, Esq.  
G. N. Strawbridge, Esq.

*Secretary.*

Charles O'Leary, Esq.

The Council has the satisfaction to report that, in fulfilment of a promise made the previous year, the Government of Paraguay accredited, in the early part of 1885, a Special Commissioner to London, for the purpose of entering into an arrangement of their External Debt with the Council and Committee of Bondholders. This

Commissioner was Señor Don J. S. Decoud, the Paraguayan Minister for Foreign Affairs.

Señor Decoud arrived in London in May last, and immediately placed himself in communication with the Council, with a view of arriving at a satisfactory solution of the difficulties in the way of a Financial arrangement. The progress of the negotiation was, however, much retarded by various circumstances. In the first place Señor Decoud found it necessary to investigate, and, where possible, to settle, certain claims arising out of the loans which were to form the subject of arrangement; and, in the second, to take steps for the recovery of a large quantity of Bonds of the Loan of 1872, which had been repurchased for account of the Government almost as soon as they were issued, but had never been delivered to them.

It was not till late in the autumn, after these preliminary investigations and arrangements had been effected, that Señor Decoud made a proposal to the Committee on the following bases:—

1. Reduction of the outstanding principal of the Debt by 50 per cent.

2. Interest on the reduced Debt to be at 2 per cent. for five years; 3 per cent. for the ensuing five years; and 4 per cent. thereafter, together with a sinking fund of  $\frac{1}{2}$  per cent. from the eleventh year.

3. An assignment of 500 square leagues (equal to 2,177,344 English acres) of good and suitable public lands, in full payment of the arrears of interest from the default to the 1st of July 1886.

This proposal Señor Decoud accompanied with an explanatory letter to the Chairman of the Council (a copy of which is appended to this Report), and supplemented by verbal explanations and statistics, which went to show that the economic and financial condition of Paraguay, though

improved, was still far from satisfactory. The war with Brazil, which depopulated the country, had so completely ruined it, that even now, after fifteen years of laborious reconstruction, the national income had only risen to £160,000 per annum, without much hope of any rapid immediate increase unless foreign capital and enterprise, and above all, immigration, could be attracted to the country.

With such facts before them, the accuracy of which could not be contested, the Council and Committee felt that it was not in their power to secure more favourable terms. They determined, therefore, to submit the proposal to the consideration and decision of the Bondholders. With this view, a detailed agreement was entered into, on the lines proposed by the Paraguayan Commissioner, which was laid, on the 11th December, before a General Meeting of Bondholders, expressly convened by the Council.

The Meeting, doubtless sharing the opinion of the Committee that no better settlement could be effected under existing circumstances, decided almost unanimously to accept the arrangement, which has since been sent to Paraguay for ratification by the Congress. A copy of this also will be found in the Appendix.

The total value of imports for 1884 was \$1,448,130, exports \$1,572,297, showing a balance in favour of the Country of \$124,167.

The income for 1884 was equal to \$839,972. The proceeds of sales of national lands are included in this sum, and realised \$55,614. The expenditure for 1884 was slightly in excess of the income.

The expenditure for 1885 was estimated at \$803,285, and has actually reached \$800,000.

It was officially stated that a portion of the Internal Debt would be completely redeemed during the year 1885.

The revenue assigned for this service is what the Government propose to assign for the payment of the interest on the External Debt. This available revenue was calculated at £16,000 per annum, more or less.

Land in Paraguay is rapidly increasing in value, and is being extensively purchased by Argentine capitalists.

[TRANSLATION.]

LONDON,

*November 16th 1885.*

RIGHT HON. E. P. BOUVERIE,

Chairman of the Council of Foreign Bondholders.

SIR,

I have the honour to inform you that the Government of Paraguay has appointed me Special Commissioner for the settlement of the External Debt of the nation contracted in London in 1871 and 1872, as shown in the General Power conferred for the purpose, on the 12th March of the current year, a copy of which I have already sent you.

In virtue of which, and in the exercise of the power conferred on me by Article 2 of the Governmental Decree dated 11th May of the present year, to enter into any convention with the Bondholders, in accordance with the instructions received for that purpose, I now beg to submit, through your medium, to the enlightened consideration of the Council and Committee of Foreign Bondholders, the bases of an arrangement concerning the said Debt.

The Government of Paraguay in coming to this determination, to which they were impelled by the honour of the nation, bound by solemn engagements contracted at that period, show thereby their deep interest in the re-

establishment of the external credit of the country, and are unwilling to defer any longer the resumption of the negotiations initiated for the purpose, in the firm persuasion that this honourable step will be duly appreciated by the Bondholders.

The cruel vicissitudes through which the country passed after the disastrous five years' war are notorious. The first and most difficult task which it had to perform was that of establishing order and implanting free institutions, under the protection of which only could the essential elements of public prosperity develop.

Internal tranquillity assured, and the country brought within the sphere of constitutional order, free from the internal agitations which took place in the first years of its new political life, it was necessary its attention should be specially drawn to the reorganization of the finances, and at the same time to the promotion of its moral and material development.

The country has been enjoying some years of continual peace, and everywhere favourable symptoms of an era of progress and welfare may be observed, auguring a happy and prosperous future. Paraguay is, in fact, arising from its own ashes, and is destined to be, with time, one of the most advanced nations of America, thanks to the fertility of its soil and the variety of its natural wealth.

After having solved the difficult problem of the re-establishment of its internal credit, it has been seriously occupied with the re-habilitation of its credit abroad, and the Government thought that the time had arrived for the initiation of fresh steps for the settlement of the English Debt.

With this object, the Special Commissioner believed it to be his duty to submit for the consideration of the Council of Foreign Bondholders the annexed Scheme of the said



Debt, which has been framed with a due regard to the actual resources of the country.

Paraguay is not at present in a position to make a more advantageous proposition to its creditors, although it would have desired strictly and religiously to comply with the engagements contracted in respect to the Loans negotiated in London. After the lapse of fourteen years since that period, it now comes to make a frank and loyal statement of its position, through its Commissioner, and to offer to effect the service of its Debt on the only conditions which its economic and financial circumstances permit for the moment.

In thus fulfilling the mission which my Government has deigned to confer on me, it only remains for me to thank the Right Hon. Mr. Bouverie, for the constant and benevolent tokens of deference which he has shown me on the occasion of the different conferences which I have had the satisfaction of holding with him during the course of these negotiations, in which he has again shown his remarkable zeal and skill in arriving at a solution alike convenient for the interests of the Bondholders and of the country which I have the honour to represent.

I take this opportunity to offer you the assurance of my most distinguished consideration, and to remain,

Your most obedient Servant,

(Signed) JOSÉ M. DECOUD.

## THE REPUBLIC OF PARAGUAY.

EIGHT PER CENT. LOANS OF 1871 AND 1872.

ARRANGEMENT FOR SETTLEMENT of the above-mentioned External Debt of Paraguay, entered into

by His Excellency Señor Don JOSÉ SEGUNDO DECOUD, Special Commissioner of the Government of Paraguay, with the COUNCIL OF FOREIGN BONDHOLDERS of London, acting in conjunction with the Committee of Bondholders of the said Debt.

# I.—PROVISIONS FOR REDUCTION OF THE DEBT AND ITS SERVICE.

ARTICLE 1. The outstanding Capital of the External Debt above-mentioned, estimated at £1,505,400, shall be reduced to £850,000 by the surrender and withdrawal from circulation of Bonds of the said Loans of the capital value of £655,400.

ARTICLE 2. The Government shall pay interest on the said Reduced Capital as from the 30th June, 1886, in sterling gold, in London, at the Offices of the Council of Foreign Bondholders, or Bankers to be named by them, half-yearly, at the following rates, the first Coupon being payable on the 1st of January 1887 :—

- (a.) During the first five years at the rate of 2 per cent. per annum.
- (b.) During the next five years at the rate of 3 per cent. per annum.
- (c.) Afterwards, until extinction of the Debt, at the rate of 4 per cent. per annum.

ARTICLE 4. The Government shall also provide from the commencement of the eleventh year (*i.e.*, as from the 30th of June 1896) an accumulative sinking fund of one-half per cent. per annum on the said Reduced Capital, to be applied to extinction thereof by drawings of Bonds at par. Such drawings shall be held at the offices where the interest

is paid, in the presence of the representative of the State and a Public Notary, and shall be made one month before each due date of interest, when the Drawn Bonds will be payable. The Government reserves the right to increase such drawings at any time.

ARTICLE 5. All paid Coupons and Drawn Bonds shall be cancelled and delivered to the Representative of the State, who will always be entitled to verify the interest and capital payments made.

ARTICLE 6. As security for the service of the Reduced Debt as above-mentioned, the State assigns, until complete extinction of the Debt, a sufficient part of the gross receipts of the Custom Houses of the State.

The Government shall remit to the Council of Foreign Bondholders, or their Bankers in London, in sufficient time to provide cash for the half-yearly service of the Debt in London, the payments derived from the assigned Customs.

ARTICLE 7. The expenses of agency, advertising, and payment of the said sums for service of the Debt in London shall be fixed at  $1\frac{1}{2}$  per cent. on the amount of such payments, and shall be provided by the Government at the time of remittance, in addition to the costs of exchange.

ARTICLE 8. The payments to be made under the present arrangement, and the Bonds and Coupons of the Reduced Debt and the Land Warrants to be issued as hereinafter provided, shall be free from all Paraguayan taxes, and no duties or imposition shall at any time be levied by the State thereon.

## II.—PROVISIONS FOR EFFECTING THE REDUCTION.

ARTICLE 9. In order to effect the reduction of Capital

above-mentioned, the holders of the Bonds of the Loans of 1871 and 1872 shall lodge their Bonds and Coupons in the hands of the Council of Foreign Bondholders, and shall receive back in exchange therefor—

- (1.) Bonds representing in Capital value 50 per cent. of that of the Bonds so lodged, with new sheets of Coupons attached thereto, payable at the rates mentioned in Article 2. Such Bonds will either be Old Bonds taken preferably from the mass of those of the Loan of 1871 lodged, or New Bonds if the Government should determine to issue the latter, in which case it would pay the English revenue stamp duty on the Bonds.
- (2.) Land Warrants in respect of the matured Coupons as mentioned in Article 12.

ARTICLE 10. The operation mentioned in Article 8 will exhaust, according to the estimates, £752,700 of the Reduced Capital, leaving Bonds for £97,300, representing the difference between that sum and £850,000, which Bonds shall be reserved out of those lodged with the said Council, and shall be sold or otherwise applied in accord between the representative of the Government and the Council of Foreign Bondholders to meet the costs of the arrangement and other expenses, and the remainder to assist in providing payment of the first Coupon on the Reduced Capital. The said Bonds for £97,300 will have all the said New Coupons attached, but will not be entitled to Land Warrants in respect of Arrear Coupons.

ARTICLE 11. The remaining Bonds for £655,400, with the non-matured Coupons thereof, and those of the Bonds for the £850,000 Reduced Capital, shall be deposited at the Bank of England in the joint names of the representatives

of the State and of the Council of Foreign Bondholders up to the 1st of January 1891, when they shall be cancelled and delivered to the Government or its representative, provided no default shall have been made in fulfilment of the terms of the present arrangement.

In case of any default prior to the said date, the Bondholders shall revert to their original rights as against the State, both in respect of capital and interest; and shall have the right to require the redistribution of the Bonds and non-matured Coupons so deposited, if and when so demanded by resolution of a General Meeting of Bondholders convened for that purpose by the Council of Foreign Bondholders, and held in London. Consequently (whether such distribution be made or not), in any subsequent arrangement by the State the amount of the Capital of the claim by the Bondholders to be provided shall be the original amount of the said Debt, with interest thereon at the original rate of 8 per cent. per annum, and not merely the amounts to which the same are reduced under this arrangement.

If it should be determined to issue New Bonds, the whole of the Old Bonds and non-matured Coupons will be comprised in the above-mentioned deposit.

### III.—CONCESSION OF LANDS.

ARTICLE 12. In discharge of the matured and unpaid Coupons, up to and including those of the 1871 Loan, payable on the 15th of June 1886, and those of the 1872 Loan, payable on the 1st July 1886, (which Coupons shall be cancelled and delivered to the representative of the Government,) the State cedes absolutely and irrevocably to the holders of such Coupons, 500 square leagues of the public lands of the State, to be selected and handed over as provided by the following Articles.

ARTICLE 13. There shall be issued to each holder of £100 nominal value of such Coupons, a Land Warrant entitling the holder thereof to 830,300 square varas (about 145 acres English measure) of such lands. Such Warrants shall be signed by the representative of the Government, and shall bear his official seal.

ARTICLE 14. The Government, in accord with the representative of the holders of the Land Warrants, shall designate the various territorial zones of good and accessible lands, suitable for agricultural and grazing purposes, from which the holders of Land Warrants shall receive their respective allotments.

ARTICLE 15. The holders of such Warrants shall be entitled forthwith, or at any time within six years from the present date, to explore any or all of the fiscal or public lands of the State referred to in the preceding Article, and to select therefrom the lands to be conceded as aforesaid, in exchange for the Warrants. The lands so selected shall be duly surveyed within five years of the date of selection, and a description and map thereof presented to the proper Department.

ARTICLE 16. Delivery of lands so selected and surveyed will be made from time to time by the Government to the holders of the Warrants, on demand and in exchange for the Warrants, free of expense.

Such holders will be entitled to be registered as the absolute owners of the said lands, and the State guarantees to the registered owners for the time being an absolute and indefeasible title, and undisturbed possession, in accordance with the laws of the country.

The State will on demand deliver to every registered owner, free of expense, a proper Certificate or document of title to the effect above mentioned.

ARTICLE 17. No tax, impost or charge shall, directly or

indirectly, be levied on the said lands, or the inhabitants or products thereof, nor any restrictions imposed with regard to the same other than such as are applicable generally to the whole of Paraguay.

All immigrants to the said lands shall enjoy the concessions granted to colonists by Article 32 of the Law of 4th July 1881 on Colonisation, that is to say:—

[*Translation.*]

ARTICLE 32. They shall moreover enjoy the following advantages:—

- “ 1. To be lodged and maintained at the expense of the nation during the five days following their disembarkation.
- “ 2. To be conveyed at the cost of the nation to that part of the Republic where they wish to fix their domicile.
- “ 3. To import, free of duty, wearing apparel, household furniture, agricultural implements, tools, implements of the profession or occupation which they follow, and a fowling-piece for each adult immigrant, to the value fixed by the Executive.”

They shall also be entitled to claim from the Government grants of lands in addition to those hereby conceded, and all other privileges accorded to immigrants by Article 31 of the said law.

ARTICLE 18. The holders of Land Warrants shall be entitled to utilise the present Concession of lands in any manner they may think fit, and any Company or Association formed for the purpose of taking over the said lands, or any part thereof, and duly accredited to the State on behalf of the Bondholders, shall be recognised by the State, and shall be registered as owner of such lands

as shall be transferred to it, and the State shall accord to any such Company, as well as to the Bondholders, every facility for best utilising the said lands. All the said lands shall be freely transferable at all times without restriction.

#### IV.—GENERAL PROVISIONS.

ARTICLE 19. The operation of the present arrangement shall be effected at the Offices of the Council of Foreign Bondholders, under the control of the representative of the State, who shall have access to the Registers and documents relating thereto for the purposes of verification.

The said operation shall remain open for eighteen months from its commencement, and no Bonds shall be subsequently received except in joint accord between the representative of the State and the said Council.

All Bonds lodged within the first nine months of the operation will be entitled to the whole forty New Coupons, but all others will forfeit such of the New Coupons as shall have matured prior to the date of presentation of the Bonds.

ARTICLE 20. All the details of the operation as to the form of stamp on Bonds, of New Bonds if issued, and of Coupons, Land Warrants, and other documents, and as to signatures, counter signatures, and other verifications thereof, and all other matters arising in carrying out the operation, shall be arranged in mutual accord between the representative of the State and the said Council, who will appoint all agents of the Bondholders, and generally be recognised as the representative of the Bondholders, and act in their name, and on their behalf.

ARTICLE 21. This arrangement is subject to ratification by resolution of a General Meeting of Bondholders to be convened by the said Council, and held in London within



twenty-one days from the date hereof, and also to ratification by the National Congress of Paraguay, to be given before the 30th of April 1886.

Dated at London the 4th day of December 1885.

For the Government of the Republic of Paraguay,

JOSE S. DECOUD,

*Special Commissioner.*

For the Council of Foreign Bondholders,

E. P. BOUVERIE,

*Chairman.*

# PERU.

Loan.	Amount outstanding.	Amount registered or deposited with Peruvian Committee.
6 per Cent. Loan of 1870...	£11,141,580	£8,035,280
5       "       "       1872...	20,437,500	17,973,300
	<u>£31,579,080</u>	<u>£26,008,580</u>

In arrear from January 1876, inclusive.

The Peruvian Bondholders' Committee, which is not affiliated to the Council, has charge of the interests of the Bondholders in the above Loans, and on the 31st December 1885, issued a report, to which reference may be made for information as to the state of negotiations with regard to these Loans. One section of the Peruvian Debt has since the default been in the hands of the Council and of a Committee acting under its auspices, namely:—

THE PISCO TO YCA RAILWAY FIVE PER CENT.  
LOAN OF 1869.

Original amount issued ... ..	£290,000
Amount outstanding ... ..	264,680
„ deposited ... ..	264,460

Committee.

Right Hon. E. P. Bouverie,	J. Leigh S. Hatton, Esq.
<i>Chairman.</i>	G. T. Rait, Esq.
F. Campion, Esq.	
Lieut.-Col. H. M. Le Champion.	<i>Secretary.</i>
R. Eykyn, Esq.	Charles O'Leary, Esq.

The position at the date of the last report of the Council was shortly this:—The legal proceedings to determine the rights *inter se* of the different classes of the Peruvian Debt to the proceeds of guano realised under the first Chilian Decree, were still pending. The Lords Justices had, on appeal by the Pisco to Yca Bondholders, reversed the judgment of the Court below, and decided that the Pisco to Yca Bonds were entitled out of the funds in question to priority of payment of the arrears of the annuity of £20,300, appropriated to the service of interest and sinking-fund of these Bonds. From this decision the Peruvian Committee announced their intention of appealing to the House of Lords, but subsequently the negotiations for compromise, which had broken down shortly before the hearing of the case before the Lords Justices, in consequence of the inadequate terms which the Peruvian Committee were disposed to offer, were resumed, and ultimately resulted, after long discussion, in the Agreement of Compromise and Sale appended to this Report.

This agreement was submitted to a general meeting of

Bondholders, held on the 19th of May 1885, when the following resolutions were passed:—

*Resolved,*

“That the agreement, dated the 8th day of May instant, entered into between the Corporation of Foreign Bondholders of the first part, the Committee of Pisco to Yca Bondholders acting with the Corporation of the second part, and the Committee of Bondholders of the Peruvian Loans of 1870 and 1872 of the third part, to put an end to further litigation, and to compromise all questions in dispute between the Pisco to Yca Bondholders and the Bondholders of the Peruvian Loans of 1870 and 1872, by sale to the Peruvian Committee of the whole of the Pisco to Yca Bonds deposited, and to be deposited with the Corporation, at the price and on the terms in such agreement mentioned—subject to the approval of the Court—is hereby ratified and confirmed.”

*Resolved,*

“That the Corporation and Committee be requested and authorised to take all necessary steps to carry the said agreement into effect; to complete the sale thereby provided for; and to receive the purchase money payable under such agreement, in respect of the Bonds sold.”

*Resolved,*

“That before distributing amongst the Certificate Holders the purchase money to be received under the said agreement, the Corporation and Pisco to Yca Committee is hereby authorised to deduct therefrom Four per cent. on the total purchase-money (to be divided and applied as the Council of the Corporation shall determine), such sum to cover all costs and outlays of the Corporation and Committee, and remuneration for their services, of which percentage £5,000 on account shall be deducted from the

“first instalment of purchase money received, and the balance of the percentage rateably from the balance of purchase money as accrued.”

On application to the Court Mr. Justice Chitty, on the 27th July 1885, made an order directing that the Peruvian Committee as Trustees of the Fund should be at liberty to carry the agreement into effect, notwithstanding the opposition raised by Mr. Procter, who afterwards lodged an appeal from the Order, but which he has recently withdrawn.

Under this Agreement the Peruvian Committee acquire the whole of the Pisco to Yca Bonds as purchasers, at the price of £100 per cent. for the Bonds, with all interest arrears, payable by instalments; that is to say, £90,000 down, and the remaining £174,680 to be provided by the application to that object of 50 per cent. of all sums hereafter coming from whatever source for the service or benefit of any of the three loans.

The first of such payments has been received and distributed, permitting of a payment to the Bondholders of £32 2s. 2d. per £100 Bond, after deducting the sum authorized by the Bondholders, which has been applied to payment of expenses and the remuneration of the Committee, the Council having assented to waive all payment to itself other than expenses out of pocket, until further sums are received on account of the purchase-money.

Out of the total of £264,680, Bonds for £220 only remain outstanding; all the rest, amounting to £264,460, having been lodged with the Council, are now deposited in joint names at the Bank of Messrs. Robarts, Lubbock and Co., pending the payment of the balance of the purchase-money.

As to the prospects of this payment, it is stated that the amount already realised from sales of Guano in the hands

of the Chilian Government is more than sufficient to provide the whole balance of the purchase-money ; but the payment is delayed, apparently, for adjustment of the final account sales, and in consequence of the claims of Messrs. Dreyfus as creditors on the Guano ; but it was stated at the recent meeting of Peruvian Bondholders that there was a prospect of an early settlement of the latter dispute.

[COPY.]

AGREEMENT for Sale and Purchase of Pisco to Yca Railway Bonds, in order to put an end to litigation in relation to the Peruvian Loans.

#### PISCO TO YCA RAILWAY BONDS.

*Watson v. Cave. Tyler v. Rait.*

AN AGREEMENT made between THE CORPORATION OF FOREIGN BONDHOLDERS (hereinafter called the Corporation) of the first part, THE COMMITTEE OF BONDHOLDERS OF THE FIVE PER CENT. GUARANTEED LOAN OF THE NATIONAL PISCO TO YCA RAILWAY COMPANY OF 1869 (hereinafter referred to as the Pisco to Yca Loan), acting in conjunction with the Corporation under its rules and regulations, and consisting of the persons whose names are given in the Schedule hereto, and hereinafter called the Pisco to Yca Committee of the second part, and THE COMMITTEE OF BONDHOLDERS OF THE CONSOLIDATED LOANS OF THE GOVERNMENT OF PERU issued in 1870 and 1872 respectively (hereinafter referred to as the

Peruvian Loans of 1870 and 1872), having its Office at Moorgate Street Chambers, in the City of London, and consisting of the persons whose names are given in the second part of the Schedule hereto, and hereinafter called the Peruvian Committee, of the third part.

Supplemental to an Order made on the 31st of March 1884, in the above mentioned actions of *Watson v. Cave* and *Tyler v. Rait* by his Lordship Mr. Justice Chitty, and to an Order made on the 6th day of February 1885, in the same actions by the Court of Appeal on the motion of the Defendant, George Thomas Rait, representing the Bondholders of the said Pisco to Yca Loan ;

WHEREAS Bonds of the said Pisco to Yca Loan for sums amounting in all to £264,680 are now outstanding and unredeemed, of which Bonds to the amount of £258,000 have been duly registered and deposited with the Corporation, who are constituted the holders of the Bonds so deposited, and, as such holders, invested by the owners of such deposited Bonds with the following (amongst other powers), exercisable in concurrence with the Pisco to Yca Committee, that is to say :—

(a.) To advance and support claims, and enforce the rights of the Bondholders to money or securities, and to prosecute, defend, or compromise actions or other legal proceedings in relation thereto;

(b.) To negotiate arrangements, and complete and carry the same into effect when ratified by resolution of a general meeting of holders of Bonds, and of Certificates issued in respect of Bonds so deposited;

(c.) To present for payment or otherwise the deposited Bonds or Coupons, and receive and give discharges for and hold any money or securities receivable in respect thereof;

(d.) As holder of the deposited securities generally, to act in the place of and represent the depositors and certificate holders for all purposes in relation thereto.

And Whereas Bonds of the Peruvian Loan of 1870 for sums amounting in all to £11,141,580 are now outstanding and unredeemed, of which Bonds to the amount of £8,010,540 have been duly registered or deposited with the Peruvian Committee; and Bonds of the Peruvian Loan of 1872 for sums amounting in all to £20,437,500 are now outstanding and unredeemed, of which Bonds to the amount of £17,963,940 have been duly registered and deposited with the Peruvian Committee, and such Committee is invested with (amongst others) the following powers, that is to say:—

(a.) To act as the representative of holders for the time being, collectively and individually, of all Bonds deposited or registered, and in accord with the Chilian Government, for all purposes, and with all the powers which such holders themselves have or can exercise in relation to their rights as such holders;

(b.) In particular, but without derogating from the generality of the foregoing power, to negotiate, conclude and carry out any arrangements with Governments or other authorities, persons, or companies; to prosecute, defend, intervene in or compromise legal or other proceedings; to receive and give discharges for any money and securities receivable in respect of the Bonds or Bondholders.

And Whereas, questions having arisen as to the respective rights and priorities of the holders of the Bonds of the said Pisco to Yca Loan, and the said Peruvian Loans of 1870 and 1872, to the proceeds of certain guano hypothecated to the service of such Loans, and shipped under certain Decrees of the Chilian Government, the above-mentioned actions of *Watson v. Cave* and *Tyler v. Rait* were instituted

for the purpose of having the rights and priorities of such Bondholders respectively ascertained and determined in the Chancery Division of the High Court of Justice.

And Whereas, on the 31st day of March 1884, the said order of that date was made in the said actions by Mr. Justice Chitty declaring (*inter alia*) that the said Bondholders were not entitled to any priority *inter se*, and that the mode of division of both funds in the said order mentioned (and therein and hereinafter referred to as the First and Second Funds respectively) was to be rateable and in proportion to the nominal amount of the several Bonds, together with the amount of the unpaid coupons thereon, therein mentioned.

And Whereas, on the 6th day of February 1885, the said order of that date was duly made by the Court of Appeal on the motion by way of appeal of the Defendant George Thomas Rait, representing the Bondholders of the Pisco to Yca Loan, varying the said order of the 31st day of March 1884, and declaring (*inter alia*) that the Bondholders of the Pisco to Yca Loan are, as regards both the said First and Second Funds, entitled, in priority to any payment to the holders of any other Bonds of Peru, to an annuity of the amount therein mentioned.

And Whereas the Peruvian Committee, being dissatisfied with the said Order of the Court of Appeal, have intimated their intention of appealing from such Order to the House of Lords.

And Whereas it is believed that further large sums of money will be from time to time hereafter received by the Peruvian Committee, arising from the sales of Guano, or from other sources (some of which sums have already accrued though not yet paid over to that Committee), which will be applicable to discharge or make payments in respect to the amounts due or payable to the holders of the



said Bonds of the Pisco to Yca Loan, and the said Peruvian Loans of 1870 and 1872, or some of them, or some part thereof respectively.

And Whereas, in order to avoid further litigation, and to settle and compromise the questions in dispute between the said several Bondholders, not only to the sums now available and the subject of the said two Orders hereinbefore mentioned, but also to the sums to be hereafter received, and to enable an immediate distribution thereof respectively, the arrangement and agreement hereinafter appearing has been entered into between the parties hereto.

Now these presents witness that in consideration of the premises, and subject to the approval of the Bondholders and of the Court, to be obtained as hereinafter provided, it is hereby agreed and declared by and between the parties hereto as follows, that is to say:—

1. The Corporation (with the concurrence of the Pisco to Yca Committee) hereby agrees to sell, and the Peruvian Committee hereby agrees to purchase, such of the Bonds of the Pisco to Yca Loan (the total of which now outstanding amounts to £264,680) and the unpaid Coupons thereof as now are or shall hereafter be deposited with the Corporation, as mentioned in Clause 2 hereof, at the price of £264,680 in respect of the said total amount of £264,680 now outstanding, and so in proportion for any less amount, such price to be paid to the Corporation in manner following, that is to say:—

- (a.) The sum of £90,000 out of the Second Fund now in the hands of the Peruvian Committee, such sum to be paid within one month after the date of the Order of the Court ratifying this agreement and referred to in Clause 7 hereof shall have been obtained, or if the Court shall direct the performance of any conditions precedent to this agreement being carried into effect, then within one month

from the date of the fulfilment of such precedent conditions.

(b.) The sum of £174,680, the balance of the said purchase money, to be paid as follows:—50 per cent. of all moneys up to the aggregate of £349,360 coming from any source whatever (other than and except only in respect of the said First and Second Funds hereinbefore mentioned) for the service or benefit of the Pisco to Yca Loan, or the said Peruvian Loans of 1870 and 1872 respectively, or any of them, or any part thereof respectively, and without any deduction therefrom by the Peruvian Committee for expenses or otherwise, to be paid over from time to time, and within ten days after the same shall be received by that Committee or their Agents in discharge of such balance until the total payment of £174,680 is reached.

(c.) If the Corporation should not be able to deposit and deliver, in pursuance of Clauses 2 and 3 hereof, the whole of the Bonds of the Pisco to Yca Loan for the said total of £264,680 outstanding, the said purchase-money and each instalment and payment on account thereof will be reduced in proportion to the amount of Bonds not so deposited and delivered.

(d.) Every instalment or payment on account of purchase-money which shall not be duly paid on the day hereinbefore stipulated for payment thereof, shall carry interest at the rate of 5 per cent. per annum from such date until actual payment.

2. The Corporation and Pisco to Yca Committee will use their best endeavours to induce the owners of Pisco to Yca Bonds which have not been deposited with the Corporation forthwith so to deposit the same, with the view to such Bonds being comprised in the present sale.

3. On payment to the Corporation of the first instalment of purchase-money mentioned in paragraph (a) of Clause 1

the Corporation will lodge the Pisco to Yca Bonds deposited with the Corporation, and to be deposited pursuant to Clause 2, in the joint names of the Corporation and two persons to be nominated by the Peruvian Committee, at the Bank of Messrs. Robarts, Lubbock & Co. (or such other Bank in London as the depositaries shall from time to time agree), as a security to the Vendors for the payment of the amount of the purchase-money hereby agreed to be paid, and from time to time remaining unpaid. And if the whole of the said purchase-money shall not be paid on or before the 31st of December, 1888, the depositaries shall, within six calendar months after receiving notice in writing, to be given to them by the Corporation for such purpose, or sent by registered post to the last known addresses of the depositaries at any time after the 31st of December, 1888, realise by sale or otherwise the said Bonds, or a sufficient part thereof, to provide in full, after discharge of expenses the balance of the purchase-money then remaining unpaid, and shall pay the same to the Corporation in discharge thereof. Provided always that no sale shall be made of any part of the said Bonds (without the consent of the Pisco to Yca Committee) except at a price sufficient to discharge the whole of the said balance of purchase-money in full; and if the depositaries shall not within the period aforesaid realise (unless otherwise sanctioned by the Pisco to Yca Committee) a sum sufficient to discharge such balance in full, they shall, on demand, return to the Corporation the Bonds so lodged with them, and all payments which shall have been made on account of the said purchase-money shall be and be deemed to be applied in the following manner, that is to say:—

1st. In discharge of all the Coupons which shall have become due upon the said Bonds up to the date of such return.

2nd. In a rateable payment on account of the principal money secured on such Bonds, and a memorandum of such payment shall be endorsed on each of the said Bonds.

4. As soon as the whole of the said purchase-money shall have been paid, the said Bonds, or those then remaining unsold, shall be transferred to the Peruvian Committee in the same plight and condition as if the Peruvian Committee had purchased the said Bonds on the Stock Exchange on the day of the date hereof.

5. The costs directed by the said two orders of the 31st of March, 1884, and 6th of February, 1885, to be taxed and paid, shall be forthwith taxed and paid as thereby directed; but all other costs and expenses incurred by the Corporation and Pisco to Yca Committee shall be paid out of the said purchase-money, and all other costs and expenses incurred by the Peruvian Committee shall be paid out of the funds remaining in their hands after payment of the said purchase-money.

6. A General Meeting of the holders of Pisco to Yca Bonds and the Certificates issued in respect thereof, shall be forthwith convened by the Corporation and Pisco to Yca Committee, to consider, ratify, and confirm this Agreement; and the Peruvian Committee shall forthwith, by circular or otherwise to their satisfaction, proceed to obtain the approval and ratification of this Agreement by the Bondholders represented by them.

7. The Peruvian Committee shall, immediately after the said Agreement shall be approved as aforesaid, apply to the Chancery Division of the High Court of Justice, by petition or otherwise, for an order approving of this Agreement, and giving the necessary and proper directions to carry the same into effect, either in its present form or with such variations (if any) as the Court shall think fit to impose for the protection of Bondholders. The costs of all parties

to such application shall be paid as part of the costs of the said actions already directed by the said orders to be taxed and paid.

8. This Agreement shall be null and void for all purposes in either of the following events :—

(a.) If this Agreement shall not be approved and ratified by the General Meeting of Bondholders mentioned in Clause 6 by resolution of a majority in number of those present thereat in person or by proxy, or, in case of a poll, of a majority in value of those voting on such poll, or by the holders of Bonds of the Peruvian Loans of 1870 and 1872 to the satisfaction of the Peruvian Committee.

(b.) If the Court shall decline to approve this Agreement, or shall only direct the same to be carried into effect on the fulfilment of precedent conditions which shall not be performed, or which shall become incapable of performance.

Provided always that all parties hereto shall use their best endeavours to procure the ratifications and approvals aforesaid, and shall take all steps competent to them to carry this Agreement and the sale and purchase hereby intended to be made into effect, and to enable the said purchase money to be paid at the earliest practicable date.

## THE SCHEDULE REFERRED TO.

### PART 1.

Members of the Committee of Bondholders of the National Pisco to Yca Railway Loan of 1869, acting in conjunction with the Corporation of Foreign Bondholders :—

Rt. Hon. E. P. BOUVERIE,  
*Chairman,*  
Mr. F. CAMPION,  
Lieut.-Col. H.M. LE CHAMPION,

Mr. ROGER EYKYN,  
Mr. J. LEIGH S. HATTON,  
Mr. G. T. RAIT.

## PART 2.

Members of the Committee of Bondholders of the Consolidated Loans of the Government of Peru, issued in 1870 and 1872 respectively :—

Sir HY. W. TYLER, M.P.,  
*Chairman*,  
 Mr. GEO. H. HOPKINSON,  
 Mr. F. S. HAMMACK,

Mr. JOHN THOMAS NORTH,  
 Lieut.-Col. ALFRED KIRBY,  
 Mr. WM. THOMAS MORRISON.

Dated this 8th day of May 1885.

Signed on behalf of the Corporation of Foreign Bondholders, pursuant to a Resolution of a Meeting of the Council of such Corporation, duly passed on the 5th day of May 1885.

E. P. BOUVERIE,

*Chairman.*

Signed on behalf of the Committee of Bondholders of the Pisco to Yca Railway Loan of 1869, acting in conjunction with the Corporation of Foreign Bondholders, pursuant to a Resolution of a Meeting of such Committee duly passed on the 8th day of May 1885.

E. P. BOUVERIE,

*Chairman.*

Signed on behalf of the Committee of Bondholders of the Consolidated Loans of the Government of Peru, issued in 1870 and 1872 respectively, pursuant to a Resolution of a Meeting of such Committee duly passed on the 5th day of May 1885.

H. W. TYLER,

*Chairman.*

## SANTO DOMINGO.

Six per Cent. Loan, 1869, outstanding ... £714,300

In arrear from January 1873, inclusive.

## Santo Domingo Committee.

F. Bennoch, Esq., *Chairman*.

Lieut.-General J. L. Vaughan,

C.B., *Deputy-Chairman*.

Right Hon. E. Pleydell

Bouverie, *Ex-officio*.

E. F. Coates, Esq.

Capt. W. Delf.

H. B. Hyde, Esq.

W. Johnson, Esq.

Robert Monckton, Esq.

J. G. Peckham, Esq.

Chas. Penruddocke, Esq.

A. W. Ray, Esq.

W. Richardson, Esq.

J. E. Wadsworth, Esq.

T. Wood, Esq.

*Secretary.*

Charles O'Leary, Esq.

In August of last year, advertisements appeared in the London newspapers requesting Bondholders of the Santo Domingo Loan to send in their names and addresses, together with particulars of their holdings, to Dr. Antonio Regidor Jurado, of 21, Billiter Street, London, E.C., for the purpose of enabling the Special Commissioner of the Republic to obtain some basis upon which a proposal could be made to the Bondholders for the settlement of the Debt.

A large number of Bondholders having complied with Dr. Jurado's invitation, a general meeting was called by him and held on the 17th September at the Cannon Street Hotel, when Mr. A. W. Ray presided, at the request of Dr. Jurado.

The proposals of General Marchena, the Special Commissioner of the Republic, were then submitted to the meeting.

The Santo Domingo Committee were not communicated

with by General Marchena or Dr. Jurado, but their chairman attended the meeting on behalf of the Committee.

After some discussion, it was decided to reorganise the Committee by removing those members who had not attended its meetings, or who had ceased to have any interest in the Bonds, and to elect in their places Messrs. A. W. Ray, E. F. Coates, J. E. Wadsworth, and T. Wood.

The Council having confirmed these appointments at the request of the Committee, the latter body, in compliance with the decision of the General Meeting, entered into the consideration of the proposed scheme, the terms of which were as follows :—

To reduce the principal of the Debt to the amount actually received by the Dominican Government, viz., £38,095, upon which sum it was proposed to calculate compound interest at  $12\frac{1}{2}$  per cent. (the current rate in Santo Domingo) for a period of seventeen years, making £223,466 15s. 2d., or a total altogether of £261,561 15s. 2d.

For this sum the Government undertook to issue New Bonds, and at the same time to call in the Old ones; the New Bonds to carry interest at the rate of 2 per cent. for the first two years,  $2\frac{1}{2}$  per cent. for the third and fourth years, 3 per cent. for the fifth and sixth years,  $3\frac{1}{2}$  per cent. for the seventh, eighth, and ninth years, and 4 per cent. from and after the tenth year.

Ten per cent. of the New Bonds were to be set aside, according to a clause in the proposed scheme, to provide for the cost of conversion, and any balance to be given to Dr Jurado as a remuneration for his services.

The Committee accordingly held several meetings at which the foregoing terms were thoroughly discussed, and various modifications suggested. Ultimately it was resolved to propose to the Santo Domingo Government the following alternative arrangement, with the assent of Dr. Jurado :—



The rate of interest on the new issue of £261,561 15s. 2d. to be 4 per cent. for the first year, 5 per cent. for the second year, and 6 per cent. thereafter, the first coupon to be paid on the 1st May 1886.

A Sinking Fund of one-half per cent. to be effected by annual drawings.

New Bonds of £50 each to be issued in exchange for every £100 of Old Bonds presented for conversion.

Dr. Jurado was then requested to forward this Proposal to the Dominican Government; and the following letter from that gentleman was received on February 3rd:—

[COPY.]

21, BILLITER STREET, LONDON, E.C.

*25th January 1886.*

The Chairman of the San Domingo Committee of the Corporation of Foreign Bondholders.

SIR,

I beg to inform you that the papers referring to the settlement of the Debt of San Domingo reached that country last November.

The Government, in consequence of the new elections which were about to take place, and also of other pressing business, has not yet decided anything respecting the new proposals resolved upon and presented by your Committee.

General Marchena, the Commissioner for the settlement, informs me also that it is possible that the Government may ask some modifications in the conditions of the proposed settlement.

As soon as I have a further communication I shall be pleased to let you know.

I am, Sir,

Yours truly,

(Signed) DR. ANTONIO M. REGIDOR JURADO.

According to the British Consular Reports, transmitted to the Foreign Office in London, the construction of the railroad from Samana to Santiago is being carried on with great vigour. It was expected that by the end of 1885 the line would reach as far as La Vega. The Works are under the direction of English engineers, and all the material is imported from England.

The Consul goes on to say :—" A large amount of money "has already been invested, and will have to be before "the Works are concluded; yet such is the future prospect "of this undertaking, which may be considered as one of "the most important in the West Indies, that I feel well "founded in stating that the results to be derived by the "country and the Contractors are to be most advantageous."

The total value of Exports for 1884 from		
the Republic is stated to be	... ..	\$1,108,626
And the Imports for the same period	... ..	\$1,081,782
		<hr/>
Showing a Balance in favour of Trade of...		\$26,844
		<hr/>

There are no statistics available from which a reliable idea can be formed of the Income and Expenditure of the Republic for the past year.

## SPAIN.

Two per Cent. Coupon Bonds, 1877, out- standing ... ..	£2,949,245
Four per Cent. External Bonds, 1882 ...	77,516,109
Four per Cent. Internal Bonds ... ..	77,747,100
Four per Cent. Internal Redeemable	

Debt of 1881 :—

Original Issue ... ..	£72,000,000
Drawn up to date ... ..	3,856,000

Outstanding ... ..	68,144,000
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**General Committee of Holders of the External Debt.**

Thus marked \* are Members of the Executive Committee.

* F. Bennoch, Esq., <i>Chairman</i> .	Rev. W. B. Harrison.
* The Right Hon. E. Pleydell Bouverie, <i>Ex-officio</i> .	* Geo. Herring, Esq.
Augustus B. Abraham, Esq.	Rev. W. Hodgson.
General Sir George Balfour, K.C.B., M.P.	Arthur Kimber, Esq.
* W. H. Bishop, Esq.	G. I. Leon, Esq.
* Lionel N. Bonar, Esq.	C. E. Lewis, Esq., M.P.
The Right Hon. the Earl of Carnwath.	Chas. Magniac, Esq., M.P.
Andrew Cassels, Esq.	W. H. Mogg, Esq.
* M. Castello, Esq.	G. W. Obicini, Esq.
J. W. Chater, Esq.	D. Robinson, Esq.
* David Clarke, Esq.	Christopher Rowlands, Esq.
John Collinson, Esq.	Thos. Rumball, Esq., M.I.C.E.
Chas. John Croke, Esq.	* H. Solomon, Esq.
R. Dixon, Esq.	G. N. Strawbridge, Esq.
W. Duncan, Esq.	* C. Surgey, Esq.
* Roger Eykyn, Esq.	W. Trotter, Esq.
Henry I. Fotherby, Esq., M.D.	John Vade, Esq.
Captain T. Fuller.	* Lt.-Gen. J. L. Vaughan, C.B.
	Lieut.-Col. Vickers.
	* H. A. Withers, Esq.
	Edwd. Wright, Esq.

Commissary-General R. M.  
Gardiner.  
James Gardner, Esq.  
John Goddard, Esq.  
Wm. Grain, Esq.  
G. de G. Griffith, Esq., M.D.  
W. Griffith, Esq.

Admiral of the Fleet, Sir  
Provo Wallis, G.C.B.  
J. Eveleigh Wyndham, Esq.

*Secretary of the Committee.*  
Charles O'Leary, Esq.

The exceptional calamities through which Spain has passed during the last two years, culminating in the premature death of King Alfonso in November last, have seriously affected the trade and finances of the kingdom. Two successive Budgets have exhibited large deficits, which have been made up by the usual expedient of creating fresh issues of Floating Debt. The total amount of this Debt, which, at the end of November 1885 was £1,800,000, rose by the end of January to £2,630,000—the increase being due, presumably, to anticipations of accruing Revenue in order to meet the Interest due on the 1st of that month on the National Debt.

Señor Camacho, whose re-appointment as Minister of Finance, in November last, was hailed with satisfaction both at home and abroad, has set himself to work with characteristic energy to improve and accelerate the collection of the Revenue; and the result of his efforts has already made itself perceptible in the increased returns for December and January. His plans for the reorganization of the finances will not be submitted to the Cortes till May, but it is understood that he contemplates the gradual realization of national lands, of the estimated value of £60,000,000, with the two-fold object of discharging the Floating Debt, and of providing for extraordinary outlays without impairing the future budgetary equilibrium.

The Estimates of Revenue and Expenditure for the current fiscal year, 1885-1886, are as follows :—

## BUDGET ESTIMATES FOR 1885-6.

## EXPENDITURE.

*General Expenditure:—*

	Pescetas.	Pescetas.
Royal Household .. .. .	9,800,000	
Legislative Houses .. .. .	1,918,785	
Public Debt .. .. .	274,712,765	
Justice .. .. .	962,251	
Pensions, &c... .. .	49,646,818	
	<hr/>	337,040,619

*Ministerial Departments:—*

Presidency of the Council .. .. .	1,102,542	
Ministry of State .. .. .	4,534,313	
„ Grace and Justice .. .. .	55,776,067	
„ War .. .. .	151,263,040	
„ Marine .. .. .	46,953,954	
„ Government .. .. .	32,137,425	
„ Public Works .. .. .	105,093,878	
„ Finance .. .. .	21,077,333	
„ Collection of Revenues .. .. .	143,652,914	
„ Colony of Fernando Po .. .. .	291,940	
	<hr/>	561,883,406
		<hr/>
Total Expenditure, Pesetas		898,924,025

## REVENUE.

*Contributions:—*

	Pescetas.	Pescetas.
Land Tax, Cultivation, and Live Stock Tax	180,000,000	
Industrial and Commercial Taxes .. .. .	40,000,000	
Royal Dues and Transfer Duties .. .. .	31,000,000	
Mining Tax (on Area, with 1 % on Gross Returns) .. .. .	2,000,000	
Tax on Titles of Nobility, &c., and Decorations .. .. .	700,000	
Wine Taxes at the Free Ports of the Canaries	500,000	
Cash Received at the Consulates, &c. .. .. .	2,279,000	
Official Publications, Grace and Justice, and Public Works .. .. .	15,000	
Receipts Ministry of War .. .. .	280,000	
Ditto Public Works (Forests, Highways, School of Agriculture, &c.) .. .. .	1,000,000	
Penal Establishments, &c. .. .. .	1,180,000	
Sundries .. .. .	894,000	
	<hr/>	
Carried forward.. .. .		259,848,000

	Pesetas.	Pesetas.
<i>Contributions</i> (brought forward) .. ..		259,848,003
<i>Taxes</i> :—		
Personal Certificates .. .. .	8,000,000	
Tax on State Salaries, &c. .. ..	16,000,000	
Deduction on Salaries of the Clergy and Nuns	3,000,000	
Tax on Salaries of Provincial and Municipal		
Employés .. .. .	1,500,000	
Tax on Court Fees .. .. .	93,000	
„ Registrar's Fees .. .. .	300,000	
„ Passenger and Goods Traffic ..	11,000,000	
„ Home-Produced Sugar .. ..	1,145,000	
„ Provisions .. .. .	93,000,000	
Sundries .. .. .	263,000	
	<hr/>	134,301,000
<i>Customs</i> :—		
Import and Export Duties, &c. .. ..		134,000,000
<i>Monopolies</i> —		
Stamps, &c., Guns, Hunting, and Fishing		
Licenses .. .. .	45,000,000	
Tobacco .. .. .	140,000,000	
Salt .. .. .	1,200,000	
Lotteries .. .. .	77,005,090	
Sundries .. .. .	157,000	
	<hr/>	263,262,000
<i>State Property</i> :—		
Rent and Mines .. .. .	13,202,890	
Duties .. .. .	2,609,570	
Sundries .. .. .	191,905	
Sales of Unredeemed Property .. ..	16,348,015	
	<hr/>	32,352,380
<i>Treasury</i> :—		
Sundries .. .. .	17,651,000	
War and Marine .. .. .	31,000,000	
	<hr/>	48,651,000
<b>Total Revenue, Pesetas</b>		<hr/> <b>872,514,380</b> <hr/>

## RECAPITULATION.

		Pesetas.			
Expenditure	..	898,924,025	or say	..	£35,671,588
Revenue	..	872,514,380	„	..	34,623,536
Deficit		26,409,645	„		<u>£1,048,002</u>

N.B.—The exchange is calculated at the rate of pesetas 25.20 = £1, officially fixed for the payment of employés of the Government in England.

To meet this deficit, and any extraordinary and unforeseen expenses, the Budget Law authorised, as usual, the issue of Floating Debt to the amount of one-fourth of the estimated expenditure, and to that end provided for the issue of delegations on the revenues at three, six, or nine months, in amounts of not less than 10,000 pesetas.

The following table shows the amounts required for the service of the Public Debt:—

*Consolidated Debt:—*

	Pesetas.	Pesetas.
Interest Perpetual 4% Debt, External ..	78,846,040	
„ Internal .. .. .	78,386,430	
„ Non-transferable Stock in favour of Civil Corporation .. ..	12,423,171	
		169,655,641
Redemption of Fractions of Consolidated Debt .. .. .		50,000

*Redeemable Debt:—*

Interest and Sinking Fund of the 4% Debt	86,817,200	
Commission of 1½% payable to Bank of Spain for above service .. ..	1,085,215	
Interest of 2% Redeemable External Debt	1,447,040	
Sinking Fund „ ..	5,361,000	
Interest on Shares of Public Works ..	31,300	
Sinking Fund „ ..	94,146	
Interest Highway Shares .. ..	22,763	
Sinking Fund „ ..	152,018	
Redemption of Personal Debt .. ..	671,442	
		<u>95,682,124</u>
Carried forward .. ..		265,387,765

	Pesetas.	Pesetas.
Brought forward .. ..		265,387,765
<i>Treasury Debt:—</i>		
Interest and Sinking Fund Rothschild		
Quicksilver Loan .. ..	3,750,000	
Interest National Land Loan .. ..	2,575,000	
Floating Debt .. ..	3,000,000	
		9,325,000
		<u>274,712,765</u>

## TURKEY.

### Joint Commission for the Ottoman Loans of 1858 and 1862 under the Convention of February, 1873.

The Right Hon. E. Pleydell	H. A. Withers, Esq.
Bouverie, <i>Chairman.</i>	<i>Secretary.</i>
Francis Bennoch, Esq.	Hyde Clarke, Esq.
Roger Eykyn, Esq.	<i>Agent in Constantinople.</i>
Thomas Rumball, Esq., M.L.C.E.	Captain Stab.

## REVENUE RECEIPTS.

The following comparative statement shows the monthly receipts actually encashed at the Central Office in Constantinople during the first ten months of the two years 1884-5 and 1885-6, commencing with the date of the Turkish financial year (13th March).

The receipts for January and February 1885, are given in the report of the Council of Administration published in August 1885.



	Gross Receipts 1884-5.	Gross Receipts, 1885-6.
	Pounds Turkish	Pounds Turkish.
March .. .. .	136,664	270,566
April .. .. .	216,171	81,578
May .. .. .	110,495	85,935
June .. .. .	295,752	299,835
July .. .. .	92,756	110,073
August .. .. .	192,542	200,801
September .. .. .	287,604	288,014
October .. .. .	106,879	73,433
November .. .. .	88,340	70,932
December .. .. .	265,989	259,342
Total .. .. .	1,793,192	1,740,569
Expenses .. .. .	87,729	37,935
Total Net .. .. .	£T.1,705,463	£T.1,702,574

As these figures have been fully commented upon by the Council in its General Report (paragraphs 4 to 9), no further reference appears necessary.

The following approximate statement of the receipts of the Tobacco Regie Co., during the first nine months of the second working year, as compared with those of the first year, will bear out the remarks made in the General Report of the Council, as to the probable final results in the second year:—

	1884. Piastres.	1885. Piastres.
April (second half) ...	3,400,000	6,100,000
May ... .. .	7,200,000	13,500,000
June ... .. .	6,520,000	11,500,000
July ... .. .	7,896,000	13,500,000
August ... .. .	9,872,000	13,600,000
September ... .. .	9,835,000	12,000,000
October ... .. .	10,600,000	11,700,000
November ... .. .	10,000,000	11,200,000
December ... .. .	10,600,000	10,100,000
January (first half) ...	1885. 5,000,000	1886. 5,100,000
Total ...	<u>80,923,000</u>	<u>108,300,000</u>

## COMPULSORY CONVERSION OF TURKISH "REGISTERED" BONDS.

The attention of holders of "Registered" Bonds of the various Turkish Loans is particularly directed to Art. VII. of the Imperial Irade of the 8/20 December, 1881, which runs as follows :—

### " ART. VII.

"The Council of Administration will have the right, in accord with the Imperial Ottoman Government, to proceed to the conversion of the whole or part of the Debt fixed by Article III.

"This operation, however, is subject :—

"In England, to the assent of a majority representing three-fourths in value of each loan to be converted, or in default thereof to the assent of a simple majority of the said Bondholders with the sanction of the Council of of Foreign Bondholders.

"In France, Germany, and Austria-Hungary, to the assent of the syndicates of the Financial establishments which have adhered to the communication of the Imperial Government of 23rd October 1880, and, if necessary, to the sanction of the majority of Bondholders given in public meeting.

"In Italy, to the assent of the Chambers of Commerce of the Kingdom, and if necessary to the sanction of the majority of Bondholders given in public meeting."

It will thus be seen that the assent to the conversion of the Debt, of three-fourths in value of each Loan will enable the representatives of the Bondholders at Constantinople to resolve on a compulsory conversion of the "Registered" Turkish Bonds, whenever in their judgment they may think fit to do so.

Holders of Turkish Bonds will remember that the total amount of the Turkish Debt, as reduced under the above

Decree, represents £106,437,234 of stock, of which £92,225,827 were subject to Registration or Conversion, and £14,211,407 (the reduced amount of the Turkish Lottery Bonds) were excluded from both operations.

In order to ascertain whether the provisions of the said Article VII. are likely to become operative, an analysis has been made of the position of the Turkish Debt, based on the latest returns available, those of the 30th November, 1885, and the result of the inquiries is shown in the following Table:—

Loans.	Converted Bonds in circulation, including Series A Bonds amortized.	Registered Bonds in circulation.	Registered Bonds amortized.	Old Bonds still outstanding.
I. Group.	Per cent.	Per cent.	Per cent.	Per cent.
1858	64 $\frac{2}{10}$	16 $\frac{8}{10}$	17 $\frac{2}{10}$	1 $\frac{2}{10}$
1862	60	22 $\frac{1}{10}$	16 $\frac{1}{10}$	1 $\frac{1}{10}$
II. Group.				
1860	95 $\frac{2}{10}$	1 $\frac{2}{10}$	—	3 $\frac{6}{10}$
1863-4	94 $\frac{1}{10}$	6 $\frac{8}{10}$	—	5 $\frac{6}{10}$
1872	79 $\frac{1}{10}$	19	—	1 $\frac{1}{10}$
III. Group.				
1865	92 $\frac{2}{10}$	5 $\frac{2}{10}$	—	2 $\frac{2}{10}$
1869	90 $\frac{1}{10}$	6 $\frac{8}{10}$	—	3 $\frac{6}{10}$
1873	94 $\frac{2}{10}$	1	—	4 $\frac{1}{10}$
IV. Group.				
General Debt	95 $\frac{2}{10}$	2 $\frac{2}{10}$	—	2
Average of Nine Loans .. ..	90 $\frac{2}{10}$	5 $\frac{2}{10}$	1 $\frac{2}{10}$	2 $\frac{1}{10}$

This Table proves that, excluding amortized Bonds in the case of each Loan, the requisite assents to the Conversion

have been practically obtained, and that it may be in the power of the Council of Administration at Constantinople to convert, compulsorily, all Registered Turkish Bonds, by either stopping the payment of Registered Coupons in future, and by applying the Sinking Fund to Converted Bonds only, or by some other means.

Such a measure is very likely to be taken in the interests of the general body of Bondholders, because, irrespective of the financial advantages of having only one kind of Turkish Stock in circulation, the saving in commissions and expenses for clerical labour to be effected thereby would recommend it strongly on economical grounds.

The Council, however, hopes that no measure of that kind will be undertaken by the Administration unless it be peremptorily demanded by the general interests of Bondholders, and unless it can be effected without entailing any expense to the holders of Registered Bonds.

The following Table gives the latest Returns of the present position of the Turkish Debt, from which it will be seen that, in consequence of Conversions, the total amount of Registered Bonds in circulation is now only about £4,828,400 (as against £15,743,500 originally registered), whereas the Converted Bonds in circulation represent about £83,347,600.

# THE OTTOMAN PUBLIC DEBT.

STATE OF REGISTRATION AND CONVERSION ON THE 31ST DECEMBER, 1885.

Loans.	Nominal Reduced Capital.	Gross Amount of Registered Bonds.	Bonds Converted.			Bonds of Group I. Amortized.	Balance of Registered Bonds in Circulation.	Old Bonds not Presented, and Stamped Bonds not Converted.	Missing Coupons on Registered Bonds.
			Previously Registered.	Previously Stamped, and Ramazans.	Total Converted Bonds.				
	£	£	£	£	£	£	£	£	£
1858	3,445,316	2,367,041	1,207,200	1,028,175	2,235,375	(1) 580,281 (2) 10,619	579,560	39,480.	64
1860	1,044,201	(1) 63,330	61,720	933,725	995,445	—	1,610	63,000	22
1862	3,738,566	2,418,011	974,700	1,261,266	2,235,966	615,800	827,511	59,280	123
1863-4	3,973,682	(2) 175,187	162,860	3,581,788	3,744,648	—	19,327	222,642	72
1865	2,920,713	366,147	211,440	(2,483,025	2,694,465	—	164,707	71,541	272
1869	12,885,600	3,062,505	2,201,440	9,619,245	11,730,685	—	861,065	303,851	869
1872	5,223,165	(3) 3,032,276	2,052,153	2,116,378	4,168,531	—	980,123	52,721	28
1873	15,026,193	340,262	195,840	14,015,754	14,211,594	—	144,423	670,182	38
Gen. Debt	43,068,396	3,918,744	2,689,190	39,238,489	41,927,679	—	1,226,846	813,871	2,392
£	92,225,827	15,743,503	9,756,543	74,177,845	(4) 83,934,388	1,206,700	4,788,172	2,296,568	3,880

NOTES:—

- (1) Increase £15,854 } Arising from transfers in connection with the exchange of 1872 Ramazans.  
 (2) Do. 5,935 }  
 (3) Decrease £21,789 }  
 (4) Registered 1858 Bonds.  
 (5) Stamped 1858 Bonds.  
 (6) Less £482,000 Series A Amortized.

Add amortized Series A Converted Bonds

Total Amortizations .. £1,688,700

CONVERTED BONDS IN CIRCULATION ON 31st Dec., 1885.

Series A £3,989,320  
 " B £8,908,600  
 " C £28,626,720  
 " D £41,927,680  
£83,452,300

THREE PER CENT. TURKISH LOTTERY BONDS OF 1870 OF  
400 FRANCS EACH.

These Bonds, having been excluded from the conversion and registration of the Turkish Debt applied in pursuance of the Imperial Iradé of 8-20th December, 1881, to all other Turkish Loans, remain in circulation in their original condition, but the total amount now assigned to their service is based on an assumed principal of this Debt of £14,211,407, which has been arrived at by applying the rate of 45·09 per cent., fixed in the Iradé, to the existing principal of the Debt.

The Council of Administration of the Ottoman Public Debt have further decided to allow the original plan of six annual drawings to be continued, and to use the funds assigned to the Debt service in the first instance, to the reimbursement of the Bonds drawn, with their premiums, so far as such funds will permit, and to suspend all interest payments until the drawings can be completely satisfied.

In the 95 drawings held up to the 31st December, 1885, 37,750 bonds were drawn out of 1,980,000 originally issued.

The Bonds drawn 1st June 1875 (payable 1st December 1875), and 1st August 1875 (payable 1st February 1876), were only paid one-half in cash, the other half in Five per Cent. Scrip Certificates (Ramazans); the drawings were continued, but those held 1st October 1875, and subsequently remained wholly unpaid, as well as the Coupons due 1st April 1876 (No. 12), and subsequently.

In the re-arrangement of this Debt, the Ramazans above referred to were exchanged for Lottery Bonds at the rate of 19.18 per cent., and 25 per cent., or one quarter, of the amount assigned to the total service of these Bonds was set aside, to be applied to a partial payment of the Bonds

and premiums drawn up to the end of 1881, until 20 per cent. shall have been so paid, when the Bonds are to be surrendered. Up to the end of 1885, 12 per cent. out of the said 20 per cent. had been paid and stamped on these drawn Bonds.

The balance of the amount of the Debt service of 75 per cent. is applied to the payment of the Bonds drawn since 1st January 1882, such payment being made at Constantinople one month after the drawing, and has yielded hitherto 58 per cent. of the nominal principal and premium to which the drawing entitled them. Each of the six annual drawings comprises 500 Bonds, of which 50 Bonds are entitled to premiums, ranging from 600,000 francs down to 1,000 francs; the remainder being payable at par. Drawn Bonds must have all Coupons from that due 1st April 1876 (No. 12) attached.

Coupons maturing previously are still payable, as the period of forfeiture, in their case, has been extended from six to fifteen years.

## URUGUAY.

Five per Cent. Unified Debt, 1883, £11,127,000, for Conversion of the External and Internal Debt, estimated together to amount to £12,579,740.

### Committee of Uruguay Bondholders.

The Right Hon. E. P. Bou-  
verie, *Chairman.*  
A. W. Ray, Esq., *Deputy-  
Chairman.*  
C. Dear, Esq.  
Coleridge J. Kennard, Esq.  
L. R. Lack, Esq.

Cyrus Legg, Esq.  
R. Monckton, Esq.  
W. Richardson, Esq.  
C. H. Stewart, Esq.

*Secretary.*  
Charles O'Leary, Esq.

The Coupons on the Five per Cent. Unified Debt of this Republic have, during the past year, been paid with regularity.

By the application of the Quarterly Sinking Fund a further reduction in the capital of the Debt has been made of £59,600 by drawings at par.

A sum of £15,300 was also drawn in January of the present year, and is advertised for payment on the 1st of April next. These two sums, together with £56,700 paid off in 1884, represent a total of £131,600 of Bonds withdrawn from circulation since the Unification of the Debt was effected.

According to the Report of Mr. Palgrave, H.B.M. Minister at Montevideo, the Imports and Exports for the years 1881-3 are as follows:—

		Imports.		Exports.
1881	...	£3,813,000	...	£8,117,000
1882	...	3,867,000	...	8,561,000
1883	...	4,324,000	...	9,690,000

A large amount of trade is done with England; in fact, about one-fourth of the Imports are English, and one-fifth of the Exports come to this country.

The estimated Income for the year 1884-5						
was—	...	...	...	...	...	£2,476,595
And the expenditure	...	...	...	...	...	2,451,828
						<hr/>
Thus showing a surplus of	...	...	...	...	...	<u>£24,767</u>

The receipts, however, of the first half of the financial year amounted to £1,477,132. This sum is considerably above the estimate, and it was expected that there would be a balance of at least £50,000, instead of £24,767 as anticipated.



The service of the different Debts, both Foreign and Domestic, requires a total of £909,736, of which a sum of £514,514 is taken by the Unified Debt of 1883, £114,658 by the Internal, Funded, and Consolidated Debts, and the balance of £280,564 is payable in respect of interest on the Non-unified Debt, and of interest guaranteed to the Central, Higueritas, and Pando Railways, and to the Gas and Water Companies of Montevideo.

### VENEZUELA.

External Issue £2,686,850, part of new Consolidated Debt of £4,000,000, of which £1,250,000 is reserved for conversion of the Internal Debt.

#### Venezuelan Committee.

Admiral of the Fleet, Sir Provo Wallis, G.C.B., <i>Chairman</i> .	Lieut.-General J. L. Vaughan, C.B.
Right Hon. E. Pleydell Bouverie, <i>Ex-officio</i> .	E. Wright, Esq.
J. W. Chater, Esq.	<i>Secretary.</i>
F. Obicini, Esq.	Charles O'Leary, Esq.

#### Trustees for the Deposit of Old Securities at the Bank of England.

Lionel N. Bonar, Esq.		J. W. Chater, Esq.
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During the past year the service of this Debt has been provided with the same regularity as in the years which have elapsed since its re-arrangement was effected, and the Coupon has been paid, at its due date, at the usual rate of 3 per cent. per annum.

This regularity is the more praiseworthy, as the continuance of low prices for coffee, and other staple exports, the widespread ravages of locusts, and the revolutionary rising, which for a moment seriously threatened the public peace, acted unfavourably on the finances and general prosperity of the country throughout the year 1885. The fact, however, that under these depressing and disturbing conditions the obligations of the State were punctually met, affords the best evidence of the determination of the Government to keep faith with the public creditors.

Respecting the Finances and Trade of Venezuela, the available official information only reaches to the 31st December 1883, up to which period the situation was very satisfactory. In that year the Income amounted to 28,987,522 francs, and the Expenditure to 25,021,124 francs, exhibiting a surplus of 3,966,389 francs.

For the same year the value of Imports was 86,205,665 francs, and of the exports 86,670,170 francs.

Notable progress was made in providing cheap means of inland transport during the administration of General Guzman Blanco, when two Railways were opened to traffic from Carácas to La Guayra, and from Carácas to El Valli. Another Railway, which will place the fertile valleys of El Tuy and Araguas in communication with the Coast, is now under construction.

Gold and Copper Mining form another important industry in Venezuela, but their development is greatly hindered by the want of roads. The value of Gold exported in 1883 amounted to 16,216,934 francs, and of other Minerals to 6,043,322 francs.

## VIRGINIA.

Five per Cent. Sterling Bonds, taken at two-thirds ... ..	£136,952
Six per Cent. Dollar Bonds, Series A, 1871 ...	2,857,853
Six per cent. Unfunded Dollar Bonds, taken at two-thirds ... ..	408,386
Six per Cent. Dollar Bonds, "Peelers," 1872 ...	203,787
"Ten-Forty" Dollar Bonds, 1879 ... ..	1,481,320
West Virginia's one-third ... ..	3,047,874

## Virginian Committee.

The Right Hon. E. P. Bouverie, <i>Chairman.</i>	Samuel Montagu, Esq., M.P.
H. R. Beeton, Esq.	D. Oppenheimer, Esq.
Walter Chinnery, Esq.	Geo. T. Rait, Esq.
David Clark, Esq.	Captain W. W. Ross.
Joseph Hankey Dobree, Esq.	C. Satterthwaite, Esq.
R. H. Glyn, Esq.	W. Trotter, Esq.
E. Humphreys, Esq.	<i>Secretary.</i>
Henry Joachim, Esq.	Charles O'Leary, Esq.
Silvester L'Amy, Esq.	

The event of greatest importance in the progress of this protracted litigation since the issue of the last report thereon, is the judgment obtained, in April 1885, from the United States Supreme Court, in respect of several "Coupon cases," carried, on appeal, from inferior courts. Of these, five—known as Mr. Royall's cases—all deal with the question of the effect of a tender of Coupons for taxes, and the right of a taxpayer to bring action for damages against a tax-collector for levying on his property, after refusal of the Coupons. The cases were:—

*W. L. White v. S. C. Greenhow.*  
*S. S. Carter v. S. C. Greenhow.*  
*T. Poindexter v. S. C. Greenhow.*  
*Moore v. S. C. Greenhow.*  
*Chaffin v. Taylor.*

The case of the Baltimore and Ohio Railroad, and that of *Parsons v. Greenhow* was also argued. After argument, judgment was reserved for a time, but was finally given on April 20th, and was throughout favourable to the bondholders, by the ruling of five judges against four. The substance of the principal points raised and decided was as follows:—

“ The right of the Coupon-holder is to have his Coupons received for taxes when offered, and any act of the State which forbids the receipt of the Coupons for taxes, is a violation of the contract, and therefore void. It is the legal duty of any collector to receive Coupons in payment of taxes, upon an equal footing, and with equal effect, as though they were money; after tender, the right of the taxpayer is the same as if he had tendered money. Lawful tender equivalent to actual payment, either being sufficient to deprive collecting officer of any authority for further action to enforce payment. Coupons are not bills of credit. Action of taxpayer against collector, who has refused Coupons, not an action against the State, but against the individual, and, in order to complete his defence, collector must produce a valid law of the State, ‘Coupon-Killer’ unconstitutional, null and void, because it impairs obligation of contract. State has passed no such law, for it cannot pass an unconstitutional Act, and the Constitution of the United States and its own contract are laws which Virginia cannot repeal. The law of the United States and of Virginia makes it the duty of defendant to receive Coupons, and any act to enforce payment after tender, is without warrant of law. This strips defendant of official character, and convicts him of personal violation of plaintiff’s rights, and makes him personally responsible.

“ Suit authorised by ‘Coupon-Killer’ no remedy at all of

“breach of contract. Taxpayer and Coupon-holder has right to say he will not pay the amount the second time, to insist upon tender as equivalent to payment, and to resist further exaction, and to treat as a wrong-doer the officer who seizes his property. ‘Coupon-Killer’ is not a remedy in view of supposed necessity of collection of revenue. Acts of January 6th 1882, and March 13th 1884, unconstitutional, null and void, because they impair the obligation of the contract, and cannot be pleaded in United States Courts as the law of the State. Present case not covered by *Antoni v. Greenhow*; points now involved being expressly reserved in judgment in that case.”

It will thus be seen that, although the majority of the Justices of the Supreme Court, in deciding, two years ago, the case of *Antoni v. Greenhow*, held that a sufficient remedy had been provided for the Bondholders in the Coupon-Killer Act, which purported to protect the State against counterfeit Coupons, and that it was, therefore, constitutional, they now reverse and condemn the position taken by the Court in that case.

On the 25th May, Judge Bond, of the United States Circuit Court, sustained and enforced, in the case of *Executors of J. Stewart v. Treasurer of Henrico County*, the recent decision of the United States Supreme Court. Judge Bond's decision orders that the tender of Coupon pays the tax; that taxpayer may deposit Coupons in Court, of which the Clerk shall give him a receipt certifying that his tax is paid; and also that the tax-collector is for ever enjoined from levying on his property, and also saddled with costs of each suit which he forces the taxpayer to bring. The importance of this decree can hardly be over-rated, and there is no appeal from it in cases where the amount involved is under \$5,000. Therefore, in respect of

this case and of four others submitted to the Court at the same time, it was *final*, the amounts at issue being under that sum. It has not yet, however, been finally determined, whether the Circuit Court has final jurisdiction in cases where amounts of \$500 *and less* are in question. Judge Bond and Mr. Royall are at variance on this point, which is of such moment to the numerous class of small taxpayers. Mr. Royall's view (as opposed to Judge Bond's) is quoted below.

In the same month an application to the Supreme Court on the part of the State for a re-hearing of the Coupon cases was denied by that Court.

The situation consequent on the decision of the Supreme Court and the subsequent decisions of the United States Circuit Courts attending and supporting it, as summarised by Messrs. J. A. Hambleton and Co., of Baltimore, in their monthly circular, stands as follows:—

“ If a taxpayer wishes to *compel* the State of Virginia to “ accept and redeem the tax-receivable Coupons, he must, “ after tender and refusal, pay his taxes in money and then “ bring suit to prove and collect his Coupons. On the “ contrary, if a taxpayer wishes only to pay his tax, all “ that is necessary is for him to tender Coupons, and the “ State is entirely *powerless* to *compel* to pay in money. Any “ individual or corporation, foreign or domestic, *that owes* “ *as much as* \$500, can tender Coupons in payment of taxes, “ and upon refusal to accept can deposit the Coupons with “ the United States Circuit Court, and that Court will give “ him a receipted tax-bill and for ever enjoin a collector “ from taking any steps to compel payment, and also from “ returning taxpayer as delinquent.”

The trespass case of *Chaffin v. Taylor*, was again (May 15th), on the strength of the favourable ruling of the Supreme Court, submitted by the plaintiff for decision to the

Henrico County Circuit Court—Judge Wellford presiding. This judge, however, refused to give the plaintiff a trial, and, adhering to his previous ruling, again gave judgment against him. The case was then to await the action of the Supreme Court, on its meeting in October.

In June Mr. W. L. Royall had a personal interview with the Committee, having come to London specially to confer with them on the state of affairs, and to discuss further proceedings in the conduct of the litigation. During his stay in London, Mr. Royall drew up a report which he submitted to the Committee. After giving some account of the Government Institutions of the United States, the Constitution of the Federal and State Judiciaries, and of the social condition of Virginia during the last five years, as bearing upon this question, he described the legal points with which he has had to deal in the course of his employment by the Committee, and, with reference to the favourable decisions of the Supreme Court given in April, says:—

“Reasonable men might have been pardoned for thinking that, when we had obtained from the Supreme Court of the United States a decision so unequivocally in favour of the rights of the Bondholders, our labours were at an end, and that the Coupons would henceforward have been received for taxes. In this expectation, however, we have been disappointed. Since the decision, the authorities of the State have assumed towards the Supreme Court an attitude of defiance, refusing to allow its decision to have its legitimate effect; and we must, therefore, conduct our fight to the point of forcing these recalcitrant officers to respect the Supreme Court’s judgment. I have the most perfect confidence that the State’s authorities can be forced to submit to the paramount authority of the Supreme Court of the United States, if a systematic fight be kept up until this result is achieved.”

Respecting the decree of Judge Bond, that the Circuit Court shall give the taxpayer a receipt for his Coupons, when tendered, certifying that his tax is paid, &c., he says:—

“This decree, however, being in the United States Circuit Court, only taxpayers who owe *as much as* \$500 can “get the advantage of it, and it is therefore necessary that “steps should be taken for securing its benefit to small “taxpayers in the State Courts. I have entire confidence “that I shall be able to secure this.”

“It is sufficient for me to say,” concludes Mr. Royall, “that I have taken every initiatory step which my judgment prompts as necessary, and that it is my confident “belief that, within a reasonable time, we shall force the “State of Virginia to respect her contracts.”

Of the suits instituted by Mr. Royall, for the hearing of the Supreme Court, with the view of obtaining these results, the following is a summary:—

#### I. *Two License-tax Cases.*

- (1.) Appeal from judgment, resulting in conviction and fine, for continuing practice of profession as a lawyer without license, after tendering Coupons in payment of license-tax.
- (2.) Suit under “Coupon-Killer No. 1” to compel officer to receive Coupons in payment of license-tax, contrary to the holding of the local Courts that a license is a privilege, and that, therefore, the law forbidding the payment thereof in Coupons is valid.

II. An appeal from the decision of Judge Bond, who ruled that a tax-payer must owe taxes to the amount of \$500 in order to bring a suit for trespass in his (the United States Circuit) Court, Mr. Royall’s view being that a tax-payer may sue an officer for trespass after tender and



refusal by him of Coupons, laying his damages *at any sum he chooses*, thus ensuring to the smallest tax-payer the protection of that Court.

III. *Re Chaffin v. Taylor*. A writ of error taken to the order of the Judge, which was in defiance of the judgment of the Supreme Court in April.

IV. An application in a State Court for an injunction to restrain a levy for a small tax.

In September, several decisions of importance, but of a nature similar to those already described, were obtained in favour of the bondholders by Colonel Maury, of Richmond, (counsel of some of the holders in Virginia) in the United States Circuit Court.

On the assembling of the Virginian Legislature in November, the repudiating party introduced several Bills, having for their object the furtherance of the attempts of the State to evade its contract with its creditors. The Bills presented were—

1. To allow a discount of 80 per cent. to tax-payers who pay their taxes in cash.
2. To collect the taxes monthly.
3. To require the presentation of the Bond along with the Coupons.

Of these, the first two are held to be so utterly preposterous that no comment need be passed upon them whilst the third has already been declared to be untenable by the Supreme Court in the case of *Hartmann v Greenhow*.

The Coupon cases were taken up for argument by the Supreme Court on January 7th 1886, and by their most recent advices dated February 3rd 1886, the Committee are informed by Mr. Royall that the Court decided against the State and in favour of the Bondholders in the four cases of *Royall v. The State of Virginia*, *Barry v. Edmonds*,

*Ex parte Sands, and Chaffin v. Taylor.* The following is an extract from Mr. Royall's letter explaining the effect of these four cases :

" In the case of *Royall v. The State* I had offered to pay  
 " my license-tax as a lawyer in Coupons, and as they would  
 " not receive the Coupons, and would not issue me a license,  
 " I went on practising my profession without a license. I  
 " was indicted for this, tried, convicted, and fined. The  
 " Supreme Court reverses the conviction, and holds that  
 " the tender of my Coupons paid the license-tax ; that the  
 " laws which undertake to punish me for doing business  
 " without a license after a tender, are void ; and necessarily,  
 " as a consequence, that I may sue all the officers who  
 " were engaged in the prosecution for damages, for a  
 " wrongful prosecution. This necessarily ends the collec-  
 " tion of licenses (between \$800,000 and \$900,000) as an  
 " efficient agency of Government.

" In *Barry v. Edmunds*, Barry owed \$59 taxes, for which  
 " he tendered Coupons. The collector levied on his house,  
 " worth \$125. Barry sued him for his trespass in the  
 " United States Circuit Court, laying his damages at  
 " \$6,000. Judge Bond held that Barry could not possibly  
 " recover \$500 on this case, and, consequently, that his  
 " Court was without jurisdiction. The Supreme Court  
 " reverses him, holding that as the collector knew he  
 " had no right to levy, his action was a wilful in-  
 " vasion of Barry's rights, for which it is the duty of  
 " a jury to give Barry exemplary or punitive damages  
 " in any amount that they may think necessary to  
 " prevent this collector or any other from committing  
 " similar outrages. I have some five or six similar suits  
 " pending in Judge Bond's Court. I shall try them all  
 " during the spring, and I look for them to end, absolutely,  
 " the collection of direct taxes. In Sands' case, the Court

“ holds that a person owing license-taxes may resort to  
 “ ‘ Coupon-Killer No. 1 ’ for proving his Coupons to be  
 “ genuine, if he chooses, and that the officers will be com-  
 “ pelled to receive them for identification and verifica-  
 “ tion if the license-tax payer so desire. In *Chaffin v.*  
 “ *Taylor*, the Court holds that Judge Wellford should have  
 “ given judgment for Chaffin when the case went back  
 “ there last spring, and have had his damages assessed by  
 “ a jury, and it now commands him to do both these  
 “ things in a way that shows that it is not disposed to be  
 “ further trifled with.”

### LIBRARY.

The Council desires to express its sense of obligation to those to whose liberal courtesy it owes the possession of many books, which otherwise could not have been obtained. In 1885 about 100 volumes have been added to the Library, consisting chiefly of contributions from Canada, Egypt, France, Germany, Luxembourg, New South Wales, Portugal, the United States, Venezuela, and Victoria, as well as from the British Foreign Office and the Committee of the Amsterdam Stock Exchange.

The contents of the Blue Books (Commercial Trade Reports from her Majesty's Consuls abroad), are being catalogued under headings of the different countries, etc., in order to ensure a more rapid reference.

## PRINCIPAL LOANS IN DEFAULT IN 1885-6.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
<b>COLOMBIA.</b>			
4½ % of 1873	.... £1,913,500	.. { Oct. 1st, 1879 (27th Coupon) 1st July, 1886 (54th Coupon) }	.. £636,239
Do.	.... 10,345	.... Sundry Certificates for unpaid Coupons.	
	<u>£1,923,845</u>		<u>£636,239</u>

NOTE.—There are also some old securities in circulation, the conversion of which, under the earlier arrangements, has been omitted.

### FORMER CONFEDERATE STATES.

7 % of 1863 } (Cotton Loan) }	.. £2,418,800	.... { 1st Sept., 1865 1st March, 1886 }	.. £3,403,246
	<u>£2,418,800</u>		<u>£3,403,246</u>

### COSTA RICA.

6 % of 1871 } (1st Issue) }	£467,700	.. { 1st Nov., 1874 (23 Coupons) 1st Nov., 1885 }	.. £322,713
Do. } (2nd Issue) }	473,500	.. Do. Do. Do.	.. 326,715
7 % of 1872	.. 1,750,100	.. { 1st April, 1874 (24 Coupons) 1st Oct., 1885 }	.. 1,470,084
	<u>£2,691,300</u>		<u>£2,119,512</u>

NOTE.—The above Loans are now in course of arrangement under the agreement of 9th June, 1885, as ratified by Executive Decree of 14th October, 1885.

### ECUADOR.

1 % of 1855	.... £1,824,000	.... { 1st May, 1868 1st May, 1886 }	.. £337,440
	<u>£1,824,000</u>		<u>£337,440</u>

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
<b>GUATEMALA.</b>			
5 % of 1856	£60,600	.... { 1st Feb., 1876 } { 1st Feb., 1885 } ..	£28,785
6 % of 1869	468,600	{ Two-thirds of 1st April, 1876 } { 1st April, 1885 } ..	262,416
5 % of 1863*	11,000	.... { 1st Feb., 1864 } { 1st Feb., 1886 } ..	11,825
	<u>£540,200</u>		<u>£303,026</u>

NOTES.—The Loans of 1856 and 1869 are now in course of arrangement under the agreement of 25th March, 1885, between the Government and Messrs. I. Thomson, T. Bonar and Co.

\* The Loan of 1863 was privately issued for the construction of roads, piers, bridges, etc.

HONDURAS.					
5 % of 1867	....	£78,800	....	{ 1st April, 1873 } { 1st Oct., 1885 }	{ .. £139,870
10 % of 1867	....	900,700	....	{ 1st Jan., 1873 } { 1st Jan., 1886 }	{ .. 1,215,945
6½ % of 1869	....	2,176,570	....	{ 1st March, 1873 } { 1st Sept., 1885 }	{ .. 1,886,360
10 % of 1870	....	2,242,500	....	{ 1st Jan., 1873 } { 1st Jan., 1886 }	{ .. 3,027,375
		<u>£5,398,570</u>			<u>£6,269,550</u>

**LIBERIA.**

7 % of 1871	....	<u>£100,000</u>	.... { 1st August, 1874 } { 1st Feb., 1886 } ..	<u>£84,000</u>
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**LOUISIANA.**

7 % Consolidated of 1874 Certificates of Claim (\$5 = £1) ..	<u>£184,432</u>	....	—	....	—
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NOTE.—Issued under notarial protests by the Council of Foreign Bondholders in London, in accordance with the resolutions of May, 1875, for the loss of 40 % principal involved in the conversion of the corresponding amount of Bonds under the Funding Act of January, 1874.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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## MEXICO.

3 % of 1851	.... £10,241,650	.... { 1st Jan., 1867 } { 1st July, 1866 } ..	£6,144,990
Do.	.... 51,208	.... (Certificates for unpaid one-third of 1st July, 1866 Coupon)	
Certificates of } 1851 (A.) }	.. 1,260,000	.... { Issued in course of the 1851 conversion	
3 % of 1864 (B.)	4,864,800	.... { 1st Jan., 1867 } { 1st July, 1866 } ..	2,918,880
Do.	.... 24,324	.... (Certificates for unpaid one-third of 1st July, 1866 Coupon)	
5 % Deferred, 1837	434,350	.... (Shut out from 1851 conversion) (C.)	49,255
5 % of 1843 (D.)	200,000	.... From 1st April, 1884 ..	Not known
6 % of 1864 (E.)	12,365,000	.... { 1st Oct., 1866 } { 1st Oct., 1885 } ..	Not known
	<u>£29,441,332</u>		<u>£9,113,125</u>

## NOTES.

(A.) Represents the balance (£12 12s. per £20 Certificate) of the 8 dividends accrued to 1st January, 1851, on the Mexican Consolidated Stock of 1846 still remaining unpaid.

(B.) Represents £2,918,880 of unpaid Coupons on the 1851 Loan for the period from 1st July, 1854, to 1st July, 1863, which were converted into this Loan under the Maximilian Government, at the rate of £166½ for £100 Coupons.

(C.) Represents the proportional amount of £18 18s. % of interest, paid in cash, to 1st January, 1854, on the equivalent 3 % Bonds of 1851.

(D.) Issued for expenses of the settlement with the Bondholders in 1842.

(E.) This Loan (which was mostly converted into the 6 % Lottery Loan of 1865 of £20,000,000) is wholly repudiated. About one-third of it having been originally issued to the French Government for expenses, the holders of both Loans were re-imbursed by it, on surrender of their Bonds before 31st December, 1869, by an apportionment of Frs. 4-30, 3 % Rentes, and Frs. 4-30 cash per "1864" Bond, and Frs. 6-45, 3 % Rentes, and Frs. 6-45 cash per "1865" Bond of Frs. 500, or say at about £29 10s. 5d. and £44 5s. 10d. per cent. in Rentes and cash for the two Loans respectively.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
<b>MISSISSIPPI.</b>			
6 % of 1831-3 (A.)	£400,000 ....	{ 1st March, 1841 1st Sept., 1885 }	£1,080,000
5 % of 1838 (B.)	1,000,000 ....	Do. ..	2,250,000
	<u>£1,400,000</u>		<u>£3,330,000</u>

NOTES.—(A.) “Planters’ Bank” Bonds. (B.) “Union Bank” Bonds.

### PARAGUAY.

8 % of 1871 ....	£957,100 ..	{ 15th June, 1874 15th June, 1886 }	£957,100
8 % of 1872 (A.)	548,300 ..	{ 1st July, 1874 1st July, 1886 }	548,300
	<u>£1,505,400</u>		<u>£1,505,400</u>

NOTES.—An arrangement of the Debt has been concluded (subject to ratification by Congress) in December, 1885.

(A.) This amount is exclusive of Bonds re-purchased at the time of the issue of this Loan.

### PERU.

5 % of 1869 ....	£264,680 ....	{ 1st Jan., 1876 1st Jan., 1886 }	£138,957
(Pisco to Yca Railroad (A.)			
6 % of 1870 ....	11,141,580 ....	Do. (B.)	7,019,195
5 % of 1872 (D.)	20,437,500 ....	Do. (C.)	10,729,688
	<u>£31,843,760</u>		<u>£17,887,840</u>

### NOTES.

(A.) These Bonds (including overdue interest) have been sold by the Pisco to Yca Railway Committee to the Peruvian Bondholders’ Committee, at par, under the agreement of 8th May, 1885, and the first instalment of 34 per cent. has been paid thereon.

(B.) Less 4s. 9d. per cent. paid on registered Bonds in September, 1885, by the Peruvian Bondholders’ Committee.

(C.) Less 4s. 5d. per cent. paid on registered Bonds in September, 1885, by the Peruvian Bondholders’ Committee.

(D.) This amount is exclusive of £13,585,000 of Bonds deposited in the Bank of England against the outstanding 6 % Bonds of 1870.

Loans.	Principal outstanding.	Coupons in arrear, both inclusive.	Approximate Arrears of Interest.
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## SANTO DOMINGO.

6 % of 1869 .....	<u>£714,300</u> .....	{ 1st Jan., 1873 1st Jan., 1886 } ..	<u>£578,513</u>
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## VIRGINIA.

On 30th September, 1885, end of Fiscal Year .. ..	\$5 = £1		
6 % Tax Consols, Act of 30th March, 1871 .. ..	£2,857,853 (B) ..	Sundry dates to 1st Jan. 1885 incl. {	.... £426,319
10/40 Years Tax Consols, Act of 28th March, 1879	£1,481,320 (C) ..	Do. }	
6 % "Peelers" Bonds, Act of 7th March, 1872 ..	203,787	Do. }	
6 Per Cent. Unfund- ed Old Dollar Bonds, taken at two-thirds of nomi- nal amount ..	408,386	Do. }	.... 521,432
5 % Unfunded Old Sterling Bonds and Certificates, taken at two-thirds of nominal amount..	136,952	Do. }	
	<u>£5,088,298 (A)</u>		<u>£947,751</u>
West Virginia's one- third, as appor- tioned 1st July, 1871 .. ..	£3,047,874		Not known.
	<u>£8,136,172</u>		<u>£947,751</u>

## NOTES.

(A.) There are in addition £438,103 of "Riddleberger" Bonds in circulation, issued under the Acts of 14th February, 1882, and 29th November, 1884, on which the 3 % interest is being paid. The Government hold also £406,189



Riddlebergers under the Sinking Fund Acts of 15th March and 25th August, 1884, and £28,640 do. purchased from proceeds of sale of lands under Act of 10th March, 1880, and £18,980 do. on behalf of the Literary Fund. Total, £453,809 Riddleberger Bonds held by the Government.

Almost all the Tax Consols held in England have been registered by the Council of Foreign Bondholders, to provide a fund for the defence of their rights against the State.

The interest maturing on the Bonds in default, after 1st January, 1885, has been declared forfeited by the State.

(B.) On the 31st December, 1885, there were \$5,664,200 6 % Tax Consols registered at Messrs. Martin & Co. ; and

(C.) \$1,346,500 10/40 Tax Consols.

#### SUMMARY OF PRINCIPAL LOANS IN DEFAULT IN 1885-6.

STATES.	Approximate Prin- cipal Outstanding.	Approximate Interest Arrears.
	\$	\$
COLOMBIA .. .. .	1,923,845	636,239
FORMER CONFEDERATE STATES ..	2,418,800	3,403,246
COSTA RICA .. .. .	2,691,300	2,119,512
ECUADOR .. .. .	1,824,000	337,440
GUATEMALA .. .. .	540,200	303,026
HONDURAS .. .. .	5,398,570	6,269,550
LIBERIA .. .. .	100,000	84,000
LOUISIANA (CERTIFICATES) ..	184,432	—
MEXICO .. .. .	29,441,332	9,113,125
MISSISSIPPI .. .. .	1,400,000	3,330,000
PARAGUAY .. .. .	1,505,400	1,505,400
PERU .. .. .	31,843,760	17,887,840
SANTO DOMINGO .. .. .	714,300	578,583
VIRGINIA .. .. .	5,088,298	947,751
WEST VIRGINIA'S ONE-THIRD ..	3,047,874	Not known.
Total .. .. .	£88,122,111	\$46,515,712